

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Mackinac County	County Mackinac
Audit Date 12/31/04	Opinion Date 2/18/05	Date Accountant Report Submitted to State: 6/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple			
Street Address 1979 Holland Avenue	City Port Huron	State Mi	ZIP 48060
Accountant Signature <i>Stewart, Beauvais & Whipple</i>			Date 6/29/05

MACKINAC COUNTY, MICHIGAN

ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2004**

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



MACKINAC COUNTY, MICHIGAN

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MACKINAC COUNTY, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Mackinac County
St. Ignace, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of Mackinac County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mackinac County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements of Mackinac County Housing Commission. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mackinac County Housing Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mackinac County, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 20 to the general purpose financial statements, the County and its component units adopted Governmental Accounting Statement Board Statements No. 33, 34, 36, 37 and 38 and GASB Interpretation No. 6 as of and for the year ended December 31, 2004. This resulted in a change to the format and contents of the basic financial statements, including presenting entity-wide financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2005, on our consideration of Mackinac County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8, and budgetary comparison on pages 56 through 59 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on its.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mackinac County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

February 18, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS

Mackinac County's 2004 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the County. The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the County's government, reporting the County's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the County's net assets and how they have changed. Net assets, defined as the difference between the County's assets and liabilities, are one way to measure the County's financial health or position.

The government-wide financial statements of the County are divided into two categories:

Governmental activities – most of the County's basic services are included here, such as the legislative, judicial, general government, public safety, public works, health and welfare, and recreation and culture. Property taxes, state-shared revenues and grants, and charges for services, provide most of the funding.

Business-type activities – the County charges fees and interest to customers to help it cover the costs of certain services it provides. The County's business type activities are the collection of delinquent taxes and the Sheriff's Commissary.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds; not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Board of Commissioners establishes other funds to control and manage money for particular purposes.

The County has three kinds of funds:

Governmental funds - Most of the County's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

Proprietary funds - Services for which the County charges customers a fee and interest are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary Funds – The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County’s fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the County’s government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net assets of 10.8 million. This is an increase over 2003 of \$1.8 million. Government-type activities comprise \$5.6 million, and business-type activities make up \$5.2 million of the total net assets. In a condensed format, the table below shows net assets as of the December 31, 2004. Future reports will provide comparative data.

In Thousands

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current assets	\$ 8,574,247	\$ 5,246,765	\$ 13,821,012
Noncurrent assets	<u>3,723,183</u>	<u>-</u>	<u>3,723,183</u>
Total assets	<u>12,297,430</u>	<u>5,246,765</u>	<u>17,544,195</u>
Liabilities			
Current liabilities	3,249,385	283	3,249,668
Long-term liabilities	<u>3,469,232</u>	<u>-</u>	<u>3,469,232</u>
Total liabilities	<u>6,718,617</u>	<u>283</u>	<u>6,544,236</u>
Net Assets			
Invested in capital assets –			
Net of related debt	2,163,615	-	2,163,615
Restricted	1,664,434	327,643	1,992,077
Unrestricted	<u>1,750,764</u>	<u>4,918,839</u>	<u>6,669,603</u>
Total net assets	<u>\$ 5,578,813</u>	<u>\$ 5,246,482</u>	<u>\$ 10,825,295</u>

The County’s governmental activities experienced a net change in assets of \$1,381,946. The main reasons for the increase are as follows:

- On a fund basis the County experienced revenues over expenditures of \$1,084,310. The most significant of this increase was in the General Fund of \$115,441 and in the new Revenue Sharing Fund of \$902,563, which under the new method of recording taxes recognized 1/3 of the December 1, 2004 levy.
- Capital asset purchases exceed depreciation expense by \$204,263
- Principal payments on debt, net of revenues, were \$92,405

The business-type activities experienced a net change of assets of \$389,868. All of this increase was a result of the Delinquent Tax Revolving Fund.

The following table shows the changes in net assets for 2004. Future reports will provide comparative data for the statement of activities.

In Thousands	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 1,260,985	\$ 526,985	\$ 1,787,970
Operating grants and contributions	1,229,921	-	1,229,921
Capital grants and contributions	325,154	-	325,154
General revenue:			
Property taxes	5,234,897	-	5,234,897
Unrestricted grants and contributions	123,313	-	123,313
Unrestricted investment earnings	<u>74,888</u>	<u>67,992</u>	<u>142,880</u>
Total Revenue	<u>8,249,158</u>	<u>594,977</u>	<u>8,844,135</u>
Program Expenses			
Legislative	117,765	-	117,765
Judicial	1,043,961	-	1,043,961
General government	2,336,245	-	2,336,245
Public safety	1,485,407	-	1,485,407
Public works	131,298	-	131,298
Health and welfare	1,495,661	-	1,495,661
Other Activities	244,687	-	244,687
Interest on long-term debt	145,506	-	145,506
Delinquent Tax	-	68,215	68,215
Commissary	<u>-</u>	<u>3,576</u>	<u>3,576</u>
Total Program Expenses	<u>7,000,530</u>	<u>71,791</u>	<u>7,072,321</u>
Changes in net assets before transfers	1,248,628	523,186	1,771,814
Transfers	<u>133,318</u>	<u>(133,318)</u>	<u>-</u>
Changes in net assets	<u>\$ 1,381,946</u>	<u>\$ 389,868</u>	<u>\$ 1,771,814</u>

Governmental Activities

Revenues for governmental activities totaled \$8.2 million in 2004. Of this amount \$5.2 million was received for taxes, which were an increase of 1.3 million. Of the increase 1.0 million is a result of the new tax law collection law that requires 1/3 on the December 1, 2004 levy to be recognized in the Revenue Sharing Reserve Fund. In prior years this amount was recorded in the General Fund and deferred since it was intended for the following years operations.

Business-type Activities

The County has two business type activities, the Delinquent Tax Revolving Fund, which purchases any delinquent real personal property taxes from local municipalities and the Commissary Fund, which is used to account for the concession operations in the County Jail. During the year the Delinquent Tax Revolving Fund had a new income of \$390,244, the previous year the net income was \$258,797. The Commissary Fund had a net loss of \$376.

FINANCIAL ANALYSIS OF MAJOR COUNTY FUNDS AND BUDGETS

Governmental Fund

The General fund ended 2004 with a fund balance of \$1,781,399, with \$646,212 designated for capital projects. This is an increase of \$115,441, which is approximately 2% of the General Fund budget. The original budget estimated a decrease of \$289,179 and the amended budget estimated a decrease of \$89,829. The County actually collected \$281,995 less than the amended budget mainly as a result of the FEMA Grant not being drawn and the reimbursement for the Airport improvement.

The General Fund budget was amended throughout the year as deemed necessary, primarily to prevent over expenditure. The following significant amendments were made during the year.

- Tax revenues were increased from \$3,107,518 to \$3,281,100 as a result of Clark Township adding significant amounts of omitted property to the assessment rolls.
- Federal/State revenues were increased from \$1,094,421 to \$1,217,087 as a result of the County receiving additional grants during the year including CDBG, Homeland Security, Child Care, etc.
- Airport expenditures were decreased from \$273,821 to \$114,128 to decrease the expected amount to be spent on Capital Assets.
- The budget for insurance was increase from \$144,263 to \$220,009 to cover the cost of the new Employee Benefit Services (MEBS) that was instituted to help defray medical costs and to cover increased BC/BC costs.
- Marine law enforcement was decreased from \$137,146 to \$30,288 to eliminate the purchase of a boat and to eliminate one position and reduce staff hours.
- Emergency services and homeland security was increased from \$105,583 to \$228,418 as a result of additional homeland security grants that were received. See the explanation for Federal/State revenues above.

The other County major government funds are the Hospital Millage and the Revenue Sharing Reserve Fund, which had revenues over expenditures of \$3,193 and \$902,563 respectively. There were no significant budget amendments for the Hospital Millage Fund and a budget was not adopted for the Revenue Sharing Reserve Fund since it was authorized by the State of Michigan until September of 2004.

Business-type Activities

As indicated earlier the County has two business type activities, the Delinquent Tax Revolving Fund, which purchases any delinquent real personal property taxes for local municipalities, and the Commissary Fund, which is used to account for the concession operations on the County Jail. During the year the Delinquent Tax Revolving Fund had a net income of \$390,244. The Commissary Fund had a net loss of \$376.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County had \$3.7 million dollars invested in capital assets, all of which was in the government-type activities (net of accumulated depreciation) as of December 31, 2004. The investment in capital assets include land, land improvements, buildings, machinery and equipment, and vehicle. During the year the County added \$397,197 of capital assets. Of the increase a majority of it was for improvement to the Mackinac County Airport, and a major repair to the roof on the County Building:

Land	\$ 298,114
Land Improvements	22,126
Construction in progress	239,276
Building and improvements	4,081,468
Airport improvements	48,752
Equipment and vehicle	<u>940,871</u>
	5,630,607
Accumulated Depreciation	<u>(1,907,424)</u>
	 <u>\$3,723,183</u>

Additional information on the County's capital assets can be found in Note 4.

Long-Term Debt

At December 31, 2004 the County had debt outstanding in the governmental activities of \$3,469,232, a decrease of \$228,626 from the prior year. There was no debt issue in 2004. The following table shows the long-term debt at December 31, 2004:

General Obligation Bonds	\$ 1,735,000
Building Authority Bonds	1,530,000
Capitalized Leases	29,568
Compensated Absences	<u>174,664</u>
	<u>\$ 3,469,232</u>

ECONOMIC FACTORS AND NEXT YEARS BUDGET

Many factors are taken into account when preparing the County's budget including:

- While Mackinac County's population is less than 12,000, it's SEV is significantly high. This is due to the City of Mackinac Island having an SEV of 243,908,166 and the Les Cheneaux Islands, Clark Township with an SEV of 257,023,782.
- As a tourism destination, April through September unemployment averages 2.07%, while October through March, the average is 19.13%. As of December 2004, Mackinac County held the highest rate of unemployment for the month in the Upper Peninsula at 22.1%.
- With the State trying to solve its own budgetary problems, it has caused a trickle down effect on many programs at the local level by reducing or eliminating them altogether. The revenue sharing program has become greatly affected due to this dilemma causing a lapse of time to retrieve funds.

- Interest rates are low, and therefore, return on investments are lower than when times are more favorable.
- Insurance premiums have been rising over the past years at a rate greater than the rate of inflation. The County does not see a decline in insurance premiums. Anticipated costs expect to increase significantly over the next five years.
- At their regular meeting of December 21, 2004, the Mackinac County Board of Commissioners passed a resolution per the General Appropriation Act to adopt their FY 2005 Budget with estimated total expenditures \$5,721,196. Revenues are estimated to be \$5,224,643 with \$496,553 coming from fund balance to balance the budget.

In order to stay fiscally responsible, the Board of Commissioners are carefully examining ways to conserve by reviewing the structure of county revenues and expenditures, and still provide employees a stable work environment and citizens with an efficient level of services.

CONTACTING THE COUNTY

This financial report is designed to provide a general overview of the County's finances to and our residents and other interested parties in understanding the County's financial condition. If you have questions about this report or need additional financial information, please contact the County Clerk at (906) 643-7300.

BASIC FINANCIAL STATEMENTS

MACKINAC COUNTY

**STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Primary Government			Component
	Governmental	Business Type	Total	Units
	Activities	Activities		
ASSETS:				
Cash and cash equivalents	\$ 2,468,050	\$ 2,905,248	\$ 5,373,298	\$ 2,788,084
Investments	-	1,555,967	1,555,967	40,318
Receivables (net of allowance)	6,056,610	785,550	6,842,160	4,960,011
Prepaid expenditures	49,587	-	49,587	74,790
Inventory	-	-	-	449,776
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	559,516	-	559,516	13,975,939
Assets being depreciated	3,163,667	-	3,163,667	12,852,585
Total Assets	<u>12,297,430</u>	<u>5,246,765</u>	<u>17,544,195</u>	<u>35,141,503</u>
LIABILITIES:				
Payables and accrued liabilities	217,341	283	217,624	312,241
Accrued interest	31,062	-	31,062	-
Advances and deposits	-	-	-	283,055
Deferred revenue	3,000,982	-	3,000,982	56
Non-current liabilities				
Accrued liabilities - (net of current portion)	174,664	-	174,664	7,783
Bonds / Notes payable				
Due within one year	206,060	-	206,060	657,212
Due in more than one year	3,088,508	-	3,088,508	6,066,436
Total Liabilities	<u>6,718,617</u>	<u>283</u>	<u>6,718,900</u>	<u>7,326,783</u>
NET ASSETS:				
Investment in capital assets, net of related liabilities	2,163,615	-	2,163,615	24,379,098
Restricted	1,664,434	327,643	1,992,077	860,715
Unrestricted	1,750,764	4,918,839	6,669,603	2,574,907
Total Net Assets	<u>\$ 5,578,813</u>	<u>\$ 5,246,482</u>	<u>\$ 10,825,295</u>	<u>\$ 27,814,720</u>

The accompanying notes are an integral part of these financial statements.

MACKINAC COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Legislative	\$ 117,765	\$ -	\$ -	\$ -
Judicial	1,043,961	401,245	537,166	-
General Government	2,336,245	320,666	199,947	325,154
Public Safety	1,485,407	322,561	258,536	-
Public Works	131,298	1,472	-	-
Health and Welfare	1,495,661	146,598	234,272	-
Other Activities	244,687	-	-	-
Interest on Long Term Debt	145,506	68,443	-	-
Total governmental activities	<u>7,000,530</u>	<u>1,260,985</u>	<u>1,229,921</u>	<u>325,154</u>
Business type activities				
Delinquent Tax Revolving	68,215	523,785	-	-
Commissary	<u>3,576</u>	<u>3,200</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>71,791</u>	<u>526,985</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>7,072,321</u>	<u>1,787,970</u>	<u>1,229,921</u>	<u>325,154</u>
Component Units				
Road Commission	3,393,491	1,272,637	3,899,917	1,169,377
Board of Public Works	186,707	186,707	-	-
Housing Commission	321,385	97,207	114,199	5,381
Economic Development Corporation	<u>485</u>	<u>620</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>3,902,068</u>	<u>1,557,171</u>	<u>4,014,116</u>	<u>1,174,758</u>
General revenues:				
Property taxes				
Grants and contribution not -				
restricted to specific programs				
Unrestricted investment income				
Gain on sale of fixed assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
\$(117,765)	\$ -	\$(117,765)	\$ -
(105,550)	-	(105,550)	-
(1,490,478)	-	(1,490,478)	-
(904,310)	-	(904,310)	-
(129,826)	-	(129,826)	-
(1,114,791)	-	(1,114,791)	-
(244,687)	-	(244,687)	-
(77,063)	-	(77,063)	-
(4,184,470)	-	(4,184,470)	-
-	455,570	455,570	-
-	(376)	(376)	-
-	455,194	455,194	-
(4,184,470)	455,194	(3,729,276)	-
-	-	-	2,948,440
-	-	-	-
-	-	-	(104,598)
-	-	-	135
-	-	-	2,843,977
5,234,897	-	5,234,897	-
123,313	-	123,313	-
74,888	67,992	142,880	2,345
-	-	-	246
133,318	(133,318)	-	-
5,566,416	(65,326)	5,501,090	2,591
1,381,946	389,868	1,771,814	2,846,568
4,196,867	4,856,614	9,053,481	24,968,152
\$ 5,578,813	\$ 5,246,482	\$ 10,825,295	\$ 27,814,720

MACKINAC COUNTY, MICHIGAN

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2004

		Special Revenue Funds		Debt Service Fund
	General	Hospital Millage	Revenue Sharing	Mackinac Straits Hospital
ASSETS :				
Cash and cash equivalents	\$ 1,578,628	\$ 3,247	\$ -	\$ -
Receivables -				
Property taxes	2,050,899	925,438	1,025,449	-
Interest and accounts	219,427	-	-	-
Leases	-	-	-	1,735,000
Due from other governmental units -				
Federal/State	5,420	-	-	-
Due from other funds	122,886	-	-	-
Prepayments and deposits	-	-	-	-
Total Assets	\$ 3,977,260	928,685	\$ 1,025,449	1,735,000
LIABILITIES:				
Accounts payable	\$ 85,214	\$ -	\$ -	\$ -
Accrued liabilities	33,403	-	-	-
Due to other funds	1,700	-	122,886	-
Deferred revenue	2,075,544	925,438	-	1,735,000
Total Liabilities	2,195,861	925,438	122,886	1,735,000
Fund Balances:				
Reserved	-	-	-	-
Unreserved -				
Designated	646,212	-	-	-
Undesignated -				
General Fund	1,135,187	-	-	-
Special Revenue Funds	-	3,247	902,563	-
Total Equity	1,781,399	3,247	902,563	-
Total Liabilities and Fund Equity	\$ 3,977,260	\$ 928,685	\$ 1,025,449	\$ 1,735,000

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 886,175	\$ 2,468,050
-	4,001,786
19,556	238,983
-	1,735,000
75,421	80,841
1,700	124,586
12,790	12,790
<u>\$ 995,642</u>	<u>\$ 8,662,036</u>
\$ 97,781	\$ 182,995
943	34,346
-	124,586
-	4,735,982
<u>98,724</u>	<u>5,077,909</u>
12,790	12,790
5,000	651,212
-	1,135,187
879,128	1,784,938
<u>896,918</u>	<u>3,584,127</u>
<u>\$ 995,642</u>	<u>\$ 8,662,036</u>

MACKINAC COUNTY, MICHIGAN

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

Fund Balances - total governmental funds		\$	3,584,127
Amounts reported for governmental activities in the statement of net assets are different because:			
Prepaid Expenses recorded in the funds on the purchase method			36,797
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets			5,630,607
Accumulated depreciation		(	1,907,424)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Lease Receivable			1,735,000
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	(	3,265,000)	
Notes payable	(	29,568)	
Accrued interest	(	31,062)	
Accrued compensated absence	(	174,664)	(3,500,294)
Net Assets of governmental activities		\$	<u>5,578,813</u>

The notes to the financial statements are an integral part of this statement.

MACKINAC COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

		Special Revenue Funds		Debt Service Fund
		Hospital Millage	Revenue Sharing	Mackinac Straits Hospital
	General			
Revenues:				
Taxes	\$ 3,295,012	\$ 914,436	\$ 1,025,449	\$ -
Licenses and permits	9,616	-	-	-
Intergovernmental -				
Federal/State	1,014,575	-	-	-
Local	82,413	-	-	208,443
Charges for services	608,303	-	-	-
Fines and forfeits	12,891	-	-	-
Interest and rent	85,092	407	-	-
Other	138,133	-	-	-
Total Revenues	<u>5,246,035</u>	<u>914,843</u>	<u>1,025,449</u>	<u>208,443</u>
Expenditures:				
Current -				
Legislative	117,765	-	-	-
Judicial	983,581	-	-	-
General Government	1,952,117	-	-	-
Public Safety	1,418,437	-	-	-
Public Works	1,298	-	-	-
Health and Welfare	294,342	911,650	-	-
Other Activities	245,654	-	-	-
Debt Service				
Principal	36,837	-	-	140,000
Interest	3,249	-	-	68,718
Total Expenditures	<u>5,053,280</u>	<u>911,650</u>	<u>-</u>	<u>208,718</u>
Excess of revenues over (under) expenditures	<u>192,755</u>	<u>3,193</u>	<u>1,025,449</u>	<u>(275)</u>
Other Financing Sources (Uses):				
Transfers from other funds	256,204	-	-	-
Transfers to other funds	(333,518)	-	(122,886)	-
Total Other Financing Sources (Uses)	<u>(77,314)</u>	<u>-</u>	<u>(122,886)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	115,441	3,193	902,563	(275)
Fund Balances at beginning of year	<u>1,665,958</u>	<u>54</u>	<u>-</u>	<u>275</u>
Fund Balances at end of year	<u>\$ 1,781,399</u>	<u>\$ 3,247</u>	<u>\$ 902,563</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 5,234,897
-	9,616
581,400	1,595,975
-	290,856
363,194	971,497
6,669	19,560
9,499	94,998
33,626	171,759
994,388	8,389,158
-	117,765
55,165	1,038,746
368,586	2,320,703
301,902	1,720,339
130,000	131,298
275,547	1,481,539
-	245,654
56,000	232,837
77,318	149,285
1,264,518	7,438,166
(270,130)	950,992
336,062	592,266
(2,544)	(458,948)
333,518	133,318
63,388	1,084,310
833,530	2,499,817
\$ 896,918	\$ 3,584,127

MACKINAC COUNTY, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2004**

Net change in fund balances - total governmental funds		\$	1,084,310
Change in prepaid expenses recorded in the funds on the purchase method			968
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay			397,197
Depreciation expense		(	192,934)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(	140,000)
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.			
Principal payments on long term liabilities	232,837		
Decrease in accrued interest	3,779		
Increase in accrued compensated absence	(4,211)		232,405
Change in net assets of governmental activities		\$	<u>1,381,946</u>

The notes to the financial statements are an integral part of this statement.

MACKINAC COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004**

	<u>Enterprise Funds</u>		
	Delinquent Tax Revolving	Commissary	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,904,518	\$ 730	\$ 2,905,248
Investment	1,555,967	-	1,555,967
Receivables -			
Taxes	781,526	-	781,526
Interest	519	-	519
Due from other governmental units			
Local units	3,505	-	3,505
Total Assets	<u>5,246,035</u>	<u>730</u>	<u>5,246,765</u>
 LIABILITIES			
Current Liabilities:			
Accounts payable	<u>283</u>	<u>-</u>	<u>283</u>
 NET ASSETS:			
Reserved	327,643	-	327,643
Unreserved	<u>4,918,109</u>	<u>730</u>	<u>4,918,839</u>
 Total Net Assets	<u><u>\$ 5,245,752</u></u>	<u><u>\$ 730</u></u>	<u><u>\$ 5,246,482</u></u>

The accompanying notes are an integral part of these financial statements.

MACKINAC COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Enterprise Funds		
	Delinquent Tax Revolving	Commissary	Total
Operating Revenues:			
Collection fees	\$ 341,844	\$ -	\$ 341,844
Interest on taxes	181,537	-	181,537
Sales	404	3,200	3,604
Total Operating Revenues	<u>523,785</u>	<u>3,200</u>	<u>526,985</u>
Operating Expenses:			
Supplies	-	3,576	3,576
Other	68,215	-	68,215
Total Operating Expenses	<u>68,215</u>	<u>3,576</u>	<u>71,791</u>
Operating Income (Loss)	455,570	(376)	455,194
Non-Operating Revenues (Expenses):			
Interest on investments	<u>67,992</u>	<u>-</u>	<u>67,992</u>
Income before transfers	523,562	(376)	523,186
Operating Transfers:			
Operating transfers out	<u>(133,318)</u>	<u>-</u>	<u>(133,318)</u>
Net Income (Loss)	390,244	(376)	389,868
Net Assets at beginning of year	<u>4,855,508</u>	<u>1,106</u>	<u>4,856,614</u>
Net Assets end of year	<u>\$ 5,245,752</u>	<u>\$ 730</u>	<u>\$ 5,246,482</u>

The accompanying notes are an integral part of these financial statements.

MACKINAC COUNTY, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Enterprise Funds		
	Delinquent Tax Revolving Fund	Commissary Fund	Total
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 405,661	\$ 3,200	\$ 408,861
Cash payments to suppliers	(71,710)	(3,576)	(75,286)
Net Cash Provided (Used) by Operating Activities	<u>333,951</u>	<u>(376)</u>	<u>333,575</u>
Cash Flows From Noncapital Financing Activities:			
Transfers to other funds	<u>(133,318)</u>	<u>-</u>	<u>(133,318)</u>
Cash Flows From Investing Activities:			
Interest earned	67,473	-	67,473
Purchase of investment	<u>(92,895)</u>	<u>-</u>	<u>(92,895)</u>
Net Cash Flows (Used) by Investing Activities	<u>(25,422)</u>	<u>-</u>	<u>(25,422)</u>
Net increase (decrease) in cash and cash equivalents for the year	175,211	(376)	174,835
Cash and Cash Equivalents at beginning of year	<u>2,729,307</u>	<u>1,106</u>	<u>2,730,413</u>
Cash and Cash Equivalents at end of year	<u><u>\$ 2,904,518</u></u>	<u><u>\$ 730</u></u>	<u><u>\$ 2,905,248</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss) for the year	\$ 455,570	\$(376)	\$ 455,194
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -			
Change in assets and liabilities:			
Receivables	(118,124)	-	(118,124)
Payables	<u>(3,495)</u>	<u>-</u>	<u>(3,495)</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 333,951</u></u>	<u><u>\$(376)</u></u>	<u><u>\$ 333,575</u></u>

The accompanying notes are an integral part of these financial statements.

MACKINAC COUNTY, MICHIGAN

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004**

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 1,055,509
	<u><u> </u></u>
LIABILITIES:	
Due to other governmental units -	
Federal	497
State	739
Local	747,590
Due to individuals and agencies	306,683
Total Liabilities	<u><u>\$ 1,055,509</u></u>

The accompanying notes are an integral part of these financial statements.

MACKINAC COUNTY, MICHIGAN

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2004**

	<u>Road Commission</u>	<u>Board of Public Works</u>	<u>Housing Commission</u>	<u>Economic Development Corporation</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 2,710,699	\$ 99	\$ 73,268	\$ 4,018	\$ 2,788,084
Investments	-	-	40,318	-	40,318
Receivables -					
Accounts	40,385	4,174,000	2,675	-	4,217,060
Interest	-	37,267	69	-	37,336
Due from other governmental units	705,615	-	-	-	705,615
Inventory	449,776	-	-	-	449,776
Prepaid expenses	64,303	-	10,487	-	74,790
Capital assets (net of accumulated depreciation)					
Assets not being depreciated	13,938,121	-	37,818	-	13,975,939
Assets being depreciated	11,202,339	-	1,650,246	-	12,852,585
Total Assets	<u>\$ 29,111,238</u>	<u>\$ 4,211,366</u>	<u>\$ 1,814,881</u>	<u>\$ 4,018</u>	<u>\$ 35,141,503</u>
LIABILITIES					
Current Liabilities:					
Payables and Accrued Liabilities	249,367	37,267	22,480	-	309,114
Due to other governmental units	3,127	-	-	-	3,127
Advances and deposits	278,628	-	4,427	-	283,055
Deferred revenue	-	-	56	-	56
Non-Current Liabilities:					
Bonds / Notes payable					
Due within one year	538,212	119,000	-	-	657,212
Due in more than one year	2,011,436	4,055,000	7,783	-	6,074,219
Total Liabilities	<u>3,080,770</u>	<u>4,211,267</u>	<u>34,746</u>	<u>-</u>	<u>7,326,783</u>
NET ASSETS					
Investment in capital assets, net of related debt	22,691,034	-	1,688,064	-	24,379,098
Restricted	860,715	-	-	-	860,715
Unrestricted	2,478,719	99	92,071	4,018	2,574,907
Total Net Assets	<u>\$ 26,030,468</u>	<u>\$ 99</u>	<u>\$ 1,780,135</u>	<u>\$ 4,018</u>	<u>\$ 27,814,720</u>

The accompanying notes are an integral part of these financial statements.

MACKINAC COUNTY, MICHIGAN

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution
Road Commission				
Governmental activities:				
Highways and streets	\$ 3,264,218	\$ 1,272,637	\$ 3,899,917	\$ 1,169,377
Interest on Long Term Debt	129,273	-	-	-
Total Road Commission	<u>3,393,491</u>	<u>1,272,637</u>	<u>3,899,917</u>	<u>1,169,377</u>
Board Of Public Works				
Governmental activities:				
Interest on Long Term Debt	<u>186,707</u>	<u>186,707</u>	<u>-</u>	<u>-</u>
Housing Commission				
Business Type Activities				
Health and Welfare	<u>321,385</u>	<u>97,207</u>	<u>114,199</u>	<u>5,381</u>
Economic Development Corporation				
Governmental activities:				
Community and Economic Development	<u>485</u>	<u>620</u>	<u>-</u>	<u>-</u>
 Total Component Units	 <u><u>\$ 3,902,068</u></u>	 <u><u>\$ 1,557,171</u></u>	 <u><u>\$ 4,014,116</u></u>	 <u><u>\$ 1,174,758</u></u>

General Revenues:

Unrestricted investment income

Gain on sale of fixed assets

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets				
Road Commission	Board of Public Works	Housing Commission	Economic Development Corporation	Total
\$ 3,077,713				\$ 3,077,713
(129,273)				(129,273)
<u>2,948,440</u>				
	<u>-</u>			-
		(104,598)		(104,598)
			<u>135</u>	<u>135</u>
				2,843,977
-	-	2,305	40	2,345
-	-	246	-	246
<u>-</u>	<u>-</u>	<u>2,551</u>	<u>40</u>	<u>2,591</u>
2,948,440	-	(102,047)	175	2,846,568
<u>23,082,028</u>	<u>99</u>	<u>1,882,182</u>	<u>3,843</u>	<u>24,968,152</u>
<u>\$ 26,030,468</u>	<u>\$ 99</u>	<u>\$ 1,780,135</u>	<u>\$ 4,018</u>	<u>\$ 27,814,720</u>

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity –

The County of Mackinac, Michigan, established October 26, 1818, is a public corporation created under the Constitution and Statutes of the State of Michigan and covers an area of approximately 1,000 square miles with the County seat located in the City of St. Ignace. The County operates under an elected Board of Commissioners (five members) and provides services to its more than 10,000 residents in many areas; including law enforcement, administration of justice, public housing, public health, social services and roads.

These financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

BLENDED COMPONENT UNIT -

MACKINAC COUNTY BUILDING AUTHORITY – is a legally separate entity that was formed for the sole purpose of financing and constructing the County's public buildings. The three member Board is appointed by the Board of Commissioners, and the County is fiscally responsible for the Authority. As a result, the Authority has been included as a blended component unit.

DISCRETELY PRESENTED COMPONENT UNITS –

MACKINAC COUNTY ROAD COMMISSION - The Mackinac County Road Commission maintains local, state and federal trunklines within Mackinac County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance and contributions from other local governmental units within the County. The Road Commission operates under a Board which consists of three commissioners, who are elected by County residents. The Road Commission is financially accountable to the County for the following reasons; the County is secondarily obligated to provide repayment of material notes and all general long-term debt issuance, excluding capital lease purchase agreements, requires County authorization.

MACKINAC COUNTY BOARD OF PUBLIC WORKS – The Board of Public Works has the responsibility of administering the various public works project construction and debt services under the provisions of Act 185, Public Act of 1957, as amended. The Board of Public Works is under the general control of the County Board of Commissioners. The County must authorize and approve any long-term debt issues and are secondarily responsible for all obligations.

MACKINAC COUNTY HOUSING COMMISSION – is a nonprofit entity established pursuant to the authority of Act 18 of the Public Act of 1933, as amended, which is governed by a County appointed five (5) member board. This is a legally separate entity, but is considered as a component unit due to the County's ability to influence the Housing Commission's actions through representation on the Housing Commission Board because of their financial relationship.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

MACKINAC COUNTY ECONOMIC DEVELOPMENT CORPORATION – During 2001, the Mackinac County Economic Development Corporation (EDC) was established pursuant to the provisions of Public Act 338 of 1974, as amended, which is governed by an eleven (11) person board of directors appointed by the Mackinac County Board of Commissioners. The EDC may not issue debt without the County's approval.

COMPONENT UNIT FINANCIAL STATEMENTS – The financial statements of the Mackinac County Road Commission and the Mackinac County Housing Commission are audited separately and may be obtained from their administration offices at the following locations:

Mackinac County Road Commission
706 North State Street
St. Ignace, MI 49871

Mackinac County Housing Commission
N9174 Kozy Street 50
Curtis, MI 49820

The funds and account groups associated with the activities of the Mackinac County Board of Public Works are included within the scope of the audit of the general purpose financial statements. Separate audited financial statements for the component was not issued.

FISCAL YEAR ENDED – All of the County funds and Component Units operate and are reported on a December 31, year end with the exception of the Mackinac County Housing Commission which operates as of June 30.

JOINTLY GOVERNED ORGANIZATION –

Mackinac Straits Hospital Authority - is a joint municipal hospital authority, organized pursuant to Public Act 47, as amended. The Hospital operates an emergency room, acute care, long-term care and ancillary services to both residents and non-residents of Mackinac County. The County has entered into a Health Service Agreement and the County levied a voter approved millage. In addition the County leases the Hospital and Medical Care Facility to the Authority. However, the County does not appoint the governing Board, nor do they have any fiscal responsibility. Therefore, it is not considered a component unit of Mackinac County.

Hiawatha Community Mental Health Authority - is a multi-county agency established in 1986 under the provisions of Act 258, P.S. 1974 as amended in the revised Mental Health Code, to provide mental health services to Mackinac and Chippewa Counties. Mackinac and Chippewa Counties provide annual appropriations to subsidize operations. The Board is considered a component unit of the County of Chippewa.

Luce-Mackinac-Alger-Schoolcraft District Health Department - is a multi-county agency established to provide public health service to the residents of Luce, Mackinac, Alger and Schoolcraft Counties. Mackinac and the other participating Counties provide annual appropriations to subsidize operations. The Health Department is a component unit of Luce County.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

B. Government-wide and fund financial statements –

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent of fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governments financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of account, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due (2003 levy in 2004). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied on December 1, and due on February 28, are recognized as revenue in the year due. Also only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund – is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Hospital Millage – is used to account for the collection of tax revenues for health services and the contract for the services with the Mackinac Straits Hospital.

Revenue Shared Fund – is used for the collection of tax revenues for the replacement of State Shared Revenue.

Mackinac Straits Hospital – is used to accumulate resources and pay the principle and interest on the Medical Care Facility Board.

The County reports the following major proprietary funds:

Delinquent Tax Revolving Fund – is used to account for the payment to each local unit of government within the County of the delinquent real property taxes outstanding as of March 1, of each year. The fund is also used to account for the collection of those delinquent taxes along with penalties and interest.

Commissary Fund – is used to account for the concession operations is the County Jail complex, which sells various items to the jail inmates.

Additionally, the government reports the following fund types:

Agency Funds account for assets held for other governments and individuals in an agency capacity.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The county utilizes the direct write-off method for uncollectible accounts, with the exception of the Mackinac County Housing Commission, which establishes an allowance for doubtful accounts based on past experiences.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise and Internal Services Funds are charges to customers for sale and services. Operating expenses from Enterprise and Internal Service Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, the unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Assets or Equity –

Deposits and Investments –

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the County may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are value at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Inventories and Prepaid Items –

All inventories are valued at cost using the first in/first out (FIFO) method, except for the Road Commission (component unit) inventory that are stated at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Property Tax Calendar –

The County's property tax is levied each December 1 on the taxable value of property located in the County as of the preceding December 31 by the various municipalities within the County. Taxes are collected by the various municipalities within the County through the last day of February and remitted to the County throughout the collective period. In addition, the property taxes are being shifted to July. As a result, 1/3 of the County Property Taxes will be levied in July 2005.

The property taxes levied in 2001 are recognized as revenue in 2002. The property taxes levied December 1, 2002 are budgeted as revenue in the subsequent year, therefore have been accrued as current taxes receivable, with the appropriate deferral. The taxes levied on December 1, 2004 in the Revenue Sharing Fund have been recognized since they were utilized to replace State Revenue Sharing for the last quarter of 2004.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For the County, infrastructure exists only in the Road Commission, a component unit. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years, except for the Mackinac County Mental Health Authority which capitalize assets with an individual cost of \$200, and the Road Commission equipment which is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives, and the sum of the year digit for certain Road Equipment:

	Years		
	Primary <u>Government</u>	Road <u>Commission</u>	Housing <u>Commission</u>
Building/improvements	10-60	40	40
Leasehold Improvements	-	-	10
Road Systems/Bridges	-	8-50	-
Equipment/Vehicle	5-20	5-8	5.10

The County has elected not to retroactively report infrastructure as a result only infrastructure constructed/ purchased since January 1, 2004, is capitalized, except for the Road Commission. The Road Commission reported infrastructure retrospectively for 1980, except for right-of-ways, bridges and traffic signals, which are required to be reported despite the date of purchase.

Compensated Absences –

In accordance with contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, is significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Fund Equity –

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

- 1) Prior to December 31, County departments in conjunction with the Administrator/County Clerk prepare and submit their proposed operating budgets for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and resources to finance them.
- 2) A Public Hearing is conducted to obtain taxpayers' comments.
- 3) Prior to December 31, the budgets are legally enacted through passage of a resolution.
- 4) The budgets are adopted at the activity level of the General Fund and the functional level for the Special Revenue Funds, however for control purposes the budgets are maintained at the account level.
- 5) Formal budgetary integration is not employed for the Debt and Capital Projects Fund on an annual basis because effective budgetary control is achieved through project length financed plans.
- 6) After the budgets are adopted, revisions that increase or decrease must be approved by the Board.
- 7) The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental fund. All unexpended appropriations lapse at year end.
- 8) Budgeted amounts are reported as originally adopted, or as amended by the Board of Commissioners during the year.

Similar procedures are followed in the case of the Component Units included in the Reporting Entity of the County, except that the respective administrator/director of each performs the function described above rather than the County Administrator/Clerk. Budgetary comparisons have not been made for the discretely presented component units in these financial statements, but are available in their separately issued component units.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont’d):

Excess of Expenditures Over Appropriations –

<u>Fund Type/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
PRIMARY GOVERNMENT -			
General Fund –			
Legislative –			
Board of Commissioners	115,908	117,765	1,857
Judicial –			
Juvenile Coordinators	16,053	16,167	114
Government –			
Treasurers	175,856	176,680	824
Courthouse and grounds	302,146	306,540	4,394
Public Safety –			
Sheriffs Department	403,920	410,818	6,898
Road Deputy	58,238	59,604	1,366
Health and Welfare –			
Veterans Affairs Agency	13,460	14,282	822
Transfers Out	331,818	333,518	1,700
Hospital Millage Fund –			
Health and Welfare	911,600	911,650	50
In-Home Child Care –			
Health and Welfare	4,000	2,544	1,456
Survey Remonumentation Fund –			
General Government	64,537	69,432	4,895
Probation Overnight Fund –			
Judicial	2,562	2,640	78
Law Library –			
Judicial	11,000	12,428	1,428

A budget was not adopted for the Revenue Sharing Reserve Fund since the law creating the fund, Public Act 357 of 2004, was not signed into law until September 30, 2004, and guidelines on how to implement the law were not released until late December 2004.

NOTE 3 - DEPOSITS AND INVESTMENTS:

Authorized Deposits and Investments -

Investments are carried at cost or fair value as explained in Note 1, and are deposited in the name of the Mackinac County Treasurer. Act 217 PA 1982 as amended authorizes the County to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the County to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, certificates of deposit, savings accounts, or deposit accounts of a financial institution; investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.118.

Carrying Amount -

At year end, the carrying amount of the County Reporting Entity's deposits and investments is \$10,813,176 as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Unit</u>	<u>Reporting Entity</u>
Cash on Hand -				
Petty cash and cash on hand	\$ 3,500	\$ 150	\$ -	\$ 3,650
Deposits with Financial Institutions -				
Checking/Money Market	4,857,796	2,787,934	1,040,322	8,686,052
Savings/Certificates of Deposit	<u>1,633,481</u>	<u>40,318</u>	<u>15,187</u>	<u>1,688,986</u>
Total Deposits	<u>6,494,777</u>	<u>2,828,402</u>	<u>1,055,509</u>	<u>10,378,688</u>
Investments -				
Investment Trust Funds	184,488	-	-	184,488
U.S. Government Securities	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Total Investments	<u>434,488</u>	<u>-</u>	<u>-</u>	<u>434,488</u>
Grand Total	<u>\$ 6,929,265</u>	<u>\$ 2,828,402</u>	<u>\$ 1,055,509</u>	<u>\$ 10,813,176</u>

Reconciliation To Combined Balance Sheet

Reported as Cash and Cash Equivalents -

Petty Cash and Cash On Hand	\$ 3,650
Cash in Checking/Money Market	8,686,052
Cash in Savings	91,326
Certificates of Deposit	251,375
Investment Trust Funds	<u>184,488</u>
Total Cash and Cash Equivalents Reported on Combined Balance Sheet	<u>\$ 9,216,891</u>

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Reported as Investments -	
Certificates of Deposits	\$ 1,346,285
U.S. Government Securities	<u>250,000</u>
Total Investments Reported on Combined Balance Sheet	<u>1,596,285</u>
 Grand Total - Combined Balance Sheet	 <u>\$ 10,813,176</u>

Deposits with Financial Institutions -

Michigan Public Acts authorize the units of local government in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations. All deposits of the County are at federally insured banks in the State of Michigan in the name of the County.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

The following is a summary of the deposits (excluding petty cash and cash on hand) for the primary government and component units, at December 31, 2004:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>FDIC Coverage</u>	<u>Uninsured Uncollateralized</u>
Primary Government	\$ 7,546,786	\$ 7,609,064	\$ 400,000	\$ 7,209,064
Component Units -				
Road Commission	2,710,549	2,910,492	200,000	2,710,492
Board of Public Works	99	99	99	-
Housing Commission	113,586	114,274	113,164	1,110
Economic Development Corp.	<u>4,018</u>	<u>4,018</u>	<u>4,018</u>	<u>-</u>
	<u>\$ 10,375,038</u>	<u>\$ 10,637,947</u>	<u>\$ 717,281</u>	<u>\$ 9,920,666</u>

The County believes that due to the dollar amounts of cash deposits and the limits of FDIC Insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk. The County uses only those financial institutions with an acceptable estimated risk level as depositories.

Due to significantly higher cash flow during certain periods of the year, the amount the County holds as cash or cash equivalents increases significantly. As a result, the amount of uninsured cash and cash equivalents is substantially higher at these peak periods than at year end.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Investments -

As of December 31, 2004, the County had investments in investment trusts, which are not susceptible to investment risk categories. The investment trusts have been reported in the financial statements as cash equivalents because they have the general characteristics of demand deposit accounts, in that the County may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty. At December 31, 2004, the carrying amount and market value of these investment trust funds are \$184,488.

In addition, the County had \$250,000 invested in U.S. Governmental Securities.

NOTE 4 – RECEIVABLES:

Receivables in the governmental and business type activities are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Property Taxes	\$ 4,001,786	\$ 781,526
Interest and accounts	238,983	519
Leases	1,735,000	-
Intergovernmental –		
Federal/State	80,841	-
Local	<u>-</u>	<u>3,505</u>
	<u>\$ 6,056,610</u>	<u>\$ 785,550</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
General Fund –		
Property taxes	\$ 2,053,390	\$ -
Grants	22,154	-
Hospital Millage –		
Property Taxes	925,438	-
Mackinac Straits Hospital –		
Lease Receivable	<u>-</u>	<u>1,735,000</u>
Total deferred/unearned receivables to governmental funds	<u>\$ 3,000,982</u>	<u>\$ 1,735,000</u>

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 5 – CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2004 was as follows:

	Adjusted January 1, 2004			December 31, 2004
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	298,114	-	-	298,114
Land Improvement	-	22,126	-	22,126
Construction in progress	-	239,276	-	239,276
Total capital assets, not being depreciated	<u>298,114</u>	<u>261,402</u>	<u>-</u>	<u>559,516</u>
Capital assets, being depreciated:				
Buildings/Improvements	4,056,058	25,410	-	4,081,468
Equipment and Vehicle	898,738	61,633	19,500	940,871
Airport Improvement	-	48,752	-	48,752
Total capital assets being depreciated	<u>4,954,796</u>	<u>135,795</u>	<u>19,500</u>	<u>5,071,091</u>
Less accumulated depreciation for:				
Buildings and Improvement	1,229,350	100,540	-	1,329,890
Equipment and Vehicle	504,640	90,769	19,500	575,909
Airport Improvement	-	1,625	-	1,625
Total accumulated depreciation	<u>1,733,990</u>	<u>192,934</u>	<u>19,500</u>	<u>1,907,424</u>
Total capital assets being depreciated, net	<u>3,220,806</u>	<u>(57,139)</u>	<u>-</u>	<u>3,163,667</u>
Governmental activities capital assets, net	<u>\$ 3,518,920</u>	<u>\$ 204,263</u>	<u>\$ -</u>	<u>\$ 3,723,183</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial	\$ 4,792
General government	88,032
Public Safety	85,988
Health and Welfare	<u>14,122</u>
Total depreciation expense-governmental activities	<u>\$ 192,934</u>

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 5 – CAPITAL ASSETS – (cont'd):

Discretely Presented Component Units

Road Commission -

Capital assets activity for the current year was as follows:

	Balance January 1, 2004	Additions	Deletions	Removals	Balance December 31, 2004
Capital Assets, not being depreciated –					
Land	\$ 103,297	\$ -	\$ -	\$ -	\$ 103,297
Land Improvements	<u>12,385,383</u>	<u>1,449,441</u>	<u>-</u>	<u>-</u>	<u>13,834,824</u>
Total Capital Assets, not being depreciated	<u>12,488,680</u>	<u>1,449,441</u>	<u>-</u>	<u>-</u>	<u>13,938,121</u>
Capital Assets, being depreciated –					
Buildings and Improvements	1,628,486	11,881	-	-	1,640,367
Road Equipment	4,717,900	307,520	152,001	-	4,873,419
Shop Equipment	20,706	-	-	-	20,706
Office Equipment	95,084	85,345	9,739	-	-
Engineering Equipment	16,824	3,123	-	-	19,947
Infrastructure -					
Roads	9,183,823	2,123,313	-	110,972	11,196,164
Bridges	3,033,461	33,255	-	-	3,066,716
Depletable assets	<u>27,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,578</u>
	<u>18,714,123</u>	<u>2,488,831</u>	<u>152,001</u>	<u>110,972</u>	<u>20,939,981</u>
Less – accumulated depreciation for –					
Buildings	\$ 109,336	\$ 36,321	\$ -	\$ -	\$ 145,657
Road Equipment	3,157,174	577,319	152,001	-	3,582,492
Shop Equipment	15,543	1,227	-	-	16,770
Office Equipment	68,936	6,164	-	-	75,100
Engineering Equipment	6,194	2,283	-	-	8,477
Infrastructure –					
Roads	3,832,497	695,743	-	110,972	4,417,268
Bridges	1,421,869	52,515	-	-	1,474,384
Depletable Assets	<u>17,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,494</u>
	<u>8,629,043</u>	<u>1,371,572</u>	<u>152,001</u>	<u>110,972</u>	<u>9,737,642</u>
Total Capital Assets, being depreciated, net	<u>10,085,080</u>	<u>1,117,259</u>	<u>-</u>	<u>-</u>	<u>11,202,339</u>
Governmental activity capital assets net	<u>\$22,573,760</u>	<u>\$2,566,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$25,140,460</u>

The State of Michigan does not allow depreciation to be recorded in the governmental fund statements of the Road Commission on salt shed and salt lagoon construction costs reimbursed by the State. However, the depreciation of \$7,337 on the salt barn is recorded in the government-wide statement of activities. Total depreciation for the year ended December 31, 2004 was \$1,371,572.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 5 – CAPITAL ASSETS – (cont'd):

Housing Commission. Activity for the Mackinac County Housing Commission for the year ended December 31, 2004 was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Capital Assets, not being depreciated:				
Land	\$ 37,818	\$ -	\$ -	\$ 37,818
Construction in progress	<u>8,210</u>	<u>-</u>	<u>8,210</u>	<u>-</u>
	<u>46,028</u>	<u>-</u>	<u>8,210</u>	<u>37,818</u>
Capital Assets, being depreciated:				
Buildings	2,636,189	6,222	1,149	2,641,262
Building Improvements	810,842	13,590	-	824,432
Furniture and Equipment	<u>115,784</u>	<u>170</u>	<u>-</u>	<u>115,954</u>
	3,562,815	19,982	1,149	3,581,648
Less - Accumulated Depreciation	<u>(1,815,152)</u>	<u>(117,246)</u>	<u>(996)</u>	<u>(1,931,402)</u>
Total capital assets being depreciated, net	<u>1,747,663</u>	<u>(97,264)</u>	<u>153</u>	<u>1,650,246</u>
Total Capital Assets, net	<u>\$ 1,793,691</u>	<u>\$ (97,264)</u>	<u>\$ 8,363</u>	<u>\$ 1,688,064</u>

Depreciation expense for 2004 was \$117,246.

NOTE 6 – PAYABLES:

Payables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable/accrued liabilities	\$ 182,995	\$ 283
Wages and fringe benefits	<u>34,346</u>	<u>-</u>
	<u>\$ 217,341</u>	<u>\$ 283</u>

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 7 – INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2004:

Due To/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Revenue Sharing Fund	\$ 122,886
Nonmajor Fund		
Law Library	General Fund	<u>1,700</u>
		<u>\$ 124,586</u>

Transfers From/To Other Funds -

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Revenue Sharing Fund	\$ 122,886
	Delinquent Tax Revolving	133,318
		<u>256,204</u>

Nonmajor Governmental Funds –

Law Library	General Fund	10,200
Road Fund	General Fund	130,000
Child Care Fund	General Fund	60,000
In-House Child Care	Child Care	2,544
Courthouse Debt Services	General Fund	<u>133,318</u>
		<u>336,062</u>
Total Transfer		<u>\$ 592,266</u>

NOTE 8 – LEASES RECEIVABLE:

Mackinac County Board of Public Works (Component Unit) –

The County has entered into a number of lease agreements with various municipalities within the County. Under the agreements the County issued bonds that were used for the construction of water and/or sewage disposal systems. The municipalities agreed to pay the County the amount necessary to pay the principal, interest and paying agent fees as they come due. Upon final payment of the respective bond issue, ownership of the system will revert to the respective municipalities. (See Note 10).

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 8 – LEASES RECEIVABLE – (cont'd):

On this basis, the aggregate future lease payments necessary for retirement of outstanding bond principal have been recorded as receivable and deferred revenue.

The future minimum lease payments to be received are as follows:

	<u>Principal</u>	<u>Interest</u>
2005	\$ 104,000	\$ 186,017
2006	84,000	182,033
2007	108,000	177,791
2008	113,000	173,345
2009	115,000	168,535
2010-2014	562,000	768,858
2015-2019	640,000	644,415
2019-2024	799,000	484,864
2025-2029	907,000	274,473
2030-2034	342,000	122,390
2035-2039	<u>400,000</u>	<u>43,268</u>
	<u>\$ 4,174,000</u>	<u>\$ 3,225,989</u>

NOTE 9 - LONG-TERM DEBT :

Primary Government –

The following is a summary of changes in the long-term debt of the County for the year ended December 31, 2004:

	<u>Balance Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2004</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 1,875,000	\$ -	\$ 140,000	\$ 1,735,000	\$ 140,000
Building Authority Bonds	1,586,000	-	56,000	1,530,000	57,000
Capitalized Leases	66,405	-	36,837	29,568	9,060
Accumulated vacation & sick	<u>170,453</u>	<u>4,211</u>	<u>-</u>	<u>174,664</u>	<u>-</u>
	<u>\$ 3,697,858</u>	<u>\$ 4,211</u>	<u>\$ 232,837</u>	<u>\$ 3,469,232</u>	<u>\$ 206,060</u>

General Obligation Bonds -

The County issued \$1,995,000 in General Obligation Refunding Medical Care Facility Bonds for the purpose of refunding the County's General Obligation Medical Care Facility Bonds that were to mature in the years 2003 through 2014. The bonds dated March 1, 2002 are due in annual installments increasing from \$115,000 to \$220,000 through May 1, 2014; with interest ranging from 3.250 percent to 4.30 percent, payable semi-annually.

\$ 1,735,000

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM DEBT – (cont'd):

Building Authority Bonds –

To cover part of the construction cost for the Mackinac County Courthouse expansion, the County Building Authority borrowed \$1,300,000 through the United States Agriculture Department, Rural Development. The loan, dated October 8, 1998, is due in annual installments ranging from \$40,000 to \$90,000 through September 1, 2012, with interest of 4.875% per annum, payable semi-annually

\$ 1,040,000

To cover part of the construction cost for the renovation of the County Courthouse, the County Building Authority issued a \$589,000 bond through the United States Agriculture Department, Rural Development. The bonds dated September 1, 1998, are due in annual installments ranging from \$14,000 to \$40,000 through September 1, 2022, with interest of 4.875% per annum, payable semi-annually

490,000

\$ 1,530,000

Capital Leases -

The long-term debt of the County includes capital leases payable at December 31, 2004, totaling \$29,568. The minimum lease payments are summarized in Note 10.

Accrued Vacation and Sick -

In accordance with contracts with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused sick leave and vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights of \$174,664 has been recorded in the government-wide financial statements as a long-term liability.

Annual Debt Requirements -

The annual requirements to pay the debt principal and interest outstanding for the following bonds are as follows:

<u>Year Ending December 31,</u>	<u>Medical Care Facility Bonds</u>		<u>Building Authority Bonds</u>	
	<u>Principle</u>	<u>Interest</u>	<u>Principle</u>	<u>Interest</u>
2005	\$ 140,000	\$ 64,068	\$ 57,000	\$ 74,588
2006	140,000	59,518	58,000	71,809
2007	135,000	54,880	65,000	68,981
2008	135,000	49,986	65,000	65,813
2009	180,000	44,170	71,000	62,644
2010-2014	1,005,000	107,678	408,000	258,473
2015-2019	-	-	517,000	148,590
2020-2024	<u>-</u>	<u>-</u>	<u>289,000</u>	<u>24,229</u>
	<u>\$1,735,000</u>	<u>\$ 380,300</u>	<u>\$1,530,000</u>	<u>\$ 775,127</u>

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM DEBT – (cont'd):

Component Units –

Board of Public Works -

The following is a summary of changes in the long-term debt of the Board of Public Works for the year ended December 31, 2004:

	Balance <u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>Dec. 31, 2004</u>	Due Within <u>One Year</u>
Sanitary Sewage Disposal System					
1972 Bond for Clark Township	\$ 189,000	\$ -	\$ 44,000	\$ 145,000	\$ 23,000
Sanitary Sewage Disposal No. 2 Refunding					
Bonds Series 2002 for Clark Township	2,380,000	-	50,000	2,330,000	55,000
Water Supply System Bond for Moran					
Township	36,000	-	6,000	30,000	6,000
Sewage Disposal System Bonds for Clark					
Township	872,000	-	9,000	863,000	10,000
Sewage Disposal System Bonds for Brevort					
Township	<u>816,000</u>	<u>-</u>	<u>10,000</u>	<u>806,000</u>	<u>10,000</u>
	<u>\$ 4,293,000</u>	<u>\$ -</u>	<u>\$ 119,000</u>	<u>\$ 4,174,000</u>	<u>\$104,000</u>

The County has constructed several water supply and sewage disposal systems for various townships, in the County and are leasing them to the townships who are operating, maintaining and managing the systems. General Obligation Bonds were issued with the full faith and credit of the townships, villages, cities and County pledged to the payment pursuant to Act 185, Public Acts of Michigan, 1957, as amended. The principal and interest on bonds outstanding are to be paid out of money received from the municipalities by the Board of Public Works of the County pursuant to the lease agreements. Upon final payment of the respective bond issues, ownership of the systems will revert to the townships. Bonds payable at December 31, 2004, per respective construction projects are as follows:

\$520,000 Sanitary Sewage Disposal System No. 2 Bonds for the Clark Township - Cedarville Area, dated October 6, 1972, due in annual installments increasing from \$23,000 to \$24,000 through January 1, 2012; with interest of 5.0 percent, payable semi-annually \$ 145,000

\$2,475,000 Sanitary Sewage Disposal System No. 2 Refunding Bonds, Series 2002 for Clark Township, dated July 11, 2002, due in annual installments increasing from \$55,000 to \$155,000 through October 1, 2031; with interest of 2.0 percent, to 5.125 percent payable semi-annually 2,330,000

\$90,000 Water Supply System Bonds for Moran Township, dated September 1, 1994, due in annual installments of \$6,000 payable through September 1, 2009, with interest ranging from 6.40 to 7.00 percent 30,000

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM DEBT – (cont'd):

\$860,000 Sewage Disposal System Bonds for Clark Township dated May 14, 1999, due in annual installments increasing from \$10,000 to \$51,000 through June 1, 2038, with interest of 4.75%. 863,000

\$842,000 Sewage Disposal System Bonds for Brevort Township dated December 20, 1999, due in annual installments increasing from \$10,000 to \$46,000 through December 1, 2032, with interest semi-annually 3.25% 806,000

\$4,174,000

The annual requirements to pay the debt principal and interest outstanding for the following bonds are as follows:

	<u>Principle</u>	<u>Interest</u>
2005	\$ 104,000	\$ 186,017
2006	84,000	182,033
2007	108,000	177,791
2008	113,000	173,345
2009	115,000	168,535
2010-2014	562,000	768,858
2015-2019	640,000	644,415
2020-2024	799,000	484,864
2025-2029	907,000	274,473
2030-2034	342,000	122,390
2035-2039	<u>400,000</u>	<u>43,268</u>
	<u>\$ 4,174,000</u>	<u>3,225,989</u>

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM DEBT – (cont'd):

Road Commission –

The following is a summary of the changes in long-term liabilities of the Road Commission for the year ended December 31, 2004:

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004	Due Within One Year
Installment Notes -					
Equipment 2000	\$ 556,335	\$ -	\$ 284,194	\$ 272,141	\$ 272,141
Equipment 2001	74,359	-	23,744	50,615	24,881
Equipment 2002	<u>193,140</u>	<u>-</u>	<u>66,427</u>	<u>126,713</u>	<u>65,625</u>
	<u>\$ 823,834</u>	<u>\$ -</u>	<u>\$ 374,365</u>	<u>\$ 449,469</u>	<u>\$ 362,647</u>
Bonds and Notes Payable -					
MTF Note 2003	284,000	-	90,000	194,000	95,000
MTF Bonds 2001	935,000	-	35,000	900,000	35,000
MTF Bonds 2001A	<u>935,000</u>	<u>-</u>	<u>35,000</u>	<u>900,000</u>	<u>35,000</u>
	<u>2,154,000</u>	<u>-</u>	<u>160,000</u>	<u>1,994,000</u>	<u>165,000</u>
Other Liabilities					
Accrued sick vacation	60,438	3,184	-	63,622	-
MDOT settlement	-	36,600	-	36,600	9,150
Capital lease 2004	<u>-</u>	<u>6,643</u>	<u>686</u>	<u>5,957</u>	<u>1,415</u>
	<u>60,438</u>	<u>46,427</u>	<u>686</u>	<u>106,179</u>	<u>10,565</u>
Total	<u>\$ 3,038,272</u>	<u>\$ 46,427</u>	<u>\$ 535,051</u>	<u>\$ 2,549,648</u>	<u>\$ 538,212</u>

Significant details regarding outstanding long-term liabilities are presented below:

Installment Notes –

In September 2001, the Road Commission borrowed \$1,100,000 for the purchase of several pieces of equipment to replace equipment destroyed in the garage fire. The note is payable in ten semi-annual installments commencing March 22, 2001 through September 22, 2005 in the amount of \$127,314 including interest at 5.5 percent per annum. The principal balance at December 31, 2004 is \$247,413.

In November 2001, the Road Commission borrowed \$138,000 for the purchase of a motor grader. The note is payable monthly in the amount of \$2,300 plus interest of 5.480 percent annually until December 20, 2005. The principal balance at December 31, 2004 is \$24,728.

MACKINAC COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2004

NOTE 9 - LONG-TERM DEBT – (cont'd):

In December 2001, the Road Commission borrowed \$119,342 for the purchase of an excavator. The note is payable monthly in the amount of \$2,217 including interest of 4.3516 percent annually until December 28, 2006. The principal balance at December 31, 2004 is \$50,616.

In November 2002, the Road Commission borrowed \$55,306 for the purchase of a roller. The note is due in monthly installments until November of 2005 in the amount of \$1,536 and has no interest rate. The principal balance at December 31, 2004 is \$15,363.

In February 2002, the Road Commission borrowed \$242,966 for the purchase of two loaders. The note is payable monthly in the amount of \$4,503 including interest of 4.246 percent annually until February if 2007. The principal balance at December 31, 2004 is \$111,350.

The annual requirements to amortize the installment notes described above outstanding at December 31, 2004 are as follows:

Year Ending December 31,	Installment Notes 2000		Installment Notes 2001		Installment Notes 2002	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 272,141	\$ 8,485	\$ 24,881	\$ 1,721	\$ 65,318	\$ 4,037
2006	-	-	25,734	869	52,438	1,594
2007	-	-	-	-	8,957	48
	<u>\$ 272,141</u>	<u>\$ 8,485</u>	<u>\$ 50,615</u>	<u>\$ 2,590</u>	<u>\$126,713</u>	<u>\$ 5,679</u>

MTF Note Series 2003 –

The County of Mackinac, Michigan issued \$320,000 of Michigan Transportation Fund Notes, Series 2003, dated June 5, 2003 under and in full compliance with the constitution and statues of the State of Michigan, including specifically Act 143, Public Acts of Michigan, 1943 as amended. The notes are issued in anticipation of and are payable from money derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 143.

Principal on the notes is due October 1, 2005 and through 2006 with interest due annually on October 1, at an interest rate of 3.35 percent per annum. The principle balance at December 31, 2004 is \$194,000.

MTF Bonds –

The County of Mackinac, Michigan issued \$995,000 of Michigan Transportation Fund Bonds, Series 2002, dated July 11, 2001 pursuant to the provision of Act 202, Public Acts of Michigan of 1943, as amended. The Bonds are issued in anticipation of and are payable from monies derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 202.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM DEBT – (cont'd):

The proceeds from the bonds were for the construction, improvement and repair of various roads in Mackinac County and to purchase equipment which is necessary and incidental thereto.

Principal on the bonds is due on July 1 starting in 2005 through 2021 with interest due semi-annually on January 1 and July 1 at interest rates ranging from 4.1% to 5.55%.

The County of Mackinac, Michigan issued \$995,000 of Michigan Transportation Fund Bonds, Series 2001A, dated June 12, 2001 pursuant to the provision of Act 202 Public Acts of Michigan 1943, as amended. The bonds are issued in anticipation of and are payable from money derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 202. The proceeds from the bonds were for the construction, improvement, and repair of various roads in Mackinac County and to construct a garage which is necessary and incidental thereto.

Principal on the bonds is due on June 1, starting in 2005 through 2021 with interest due semi-annually on June 1 and December 1 at interest rates ranging from 4.1% to 5.25%.

As additional security for the payment of the principal of and interest on both Bond issues, in the event and to the extent that Michigan Transportation Fund money is not sufficient to pay such principal and interest, the County is obligated to advance from its general fund money sufficient to pay such principal and interest. The County does not have the power to levy taxes to pay principal of and interest on the bonds over and above its authorized tax rate established pursuant to law. To the extent such an advance is made from the County's general fund, the general fund shall be reimbursed from the first subsequent revenues received by the Road Commission from Michigan Transportation Fund money not pledged or required to be set aside and used for the payment of bonds or notes of other evidence of indebtedness.

The MTF Series 2001 in 2005 through 2011 shall not be subject to redemption prior to maturity. Bonds maturing on or after July 1, 2012 shall be subject to redemption prior to maturity at the option of the County, in such order as shall be determined by the County, on any one or more interest payment dates on or after July 1, 2011. Bonds of a denomination greater than \$50,000 may be partially redeemed in the amount of \$5,000 or any integral multiple thereof. If less than all of the Bonds maturing in any year are to be redeemed, the Bonds or portions of bonds to be redeemed shall be selected by lot. The redemption price shall be the par value of the bonds or portion of the bonds called to be redeemed plus interest to the date fixed for redemption.

The MTF Series 2001A in 2005 through 2011 shall not be subject to redemption prior to maturity. Bonds maturing on or after June 1, 2012 shall be subject to redemption prior to maturity at the option of the County, in such order as shall be determined by the County, on any one or more interest payment dates on or after June 1, 2011. Bonds of a denomination greater than \$50,000 may be partially redeemed in the amount of \$5,000 or any integral multiple thereof. If less than all of the Bonds maturing in any year are to be redeemed, the Bonds or portions of bonds to be redeemed shall be selected by lot. The redemption price shall be the par value of the bonds or portion of the bonds called to be redeemed plus interest to the date fixed for redemption.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM DEBT – (cont'd):

The annual requirements to amortize the notes and bonds described above at December 31, 2004 are as follows:

Year Ending December 31,	<u>MTF Note</u>		<u>MTF Bond Series 2001</u>		<u>MTF Bond Series 2001A</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 95,000	\$ 6,499	\$ 35,000	\$ 46,088	\$ 35,000	\$ 42,800
2006	99,000	3,317	35,000	44,600	35,000	41,365
2007	-	-	40,000	43,060	40,000	39,828
2008	-	-	40,000	41,260	40,000	38,168
2009	-	-	40,000	39,420	40,000	36,456
2010-2021	<u>-</u>	<u>-</u>	<u>710,000</u>	<u>273,111</u>	<u>710,000</u>	<u>241,951</u>
	<u>\$ 194,000</u>	<u>\$ 9,816</u>	<u>\$ 900,000</u>	<u>\$487,539</u>	<u>\$900,000</u>	<u>\$440,568</u>

Accrued Sick and Vacation –

In accordance with contracts negotiated with the various employee groups of the Road Commission, employees have a vested right upon termination of employment to receive compensation for accumulated vacation and sick leave under formulas and conditions specified in the contracts. Employees are compensated 100%, up to a maximum of 240 hours, of their vested vacation leave upon termination for any reason. Sick leave vests upon death or retirement limited to 50% of their total accumulated sick time, up to a maximum of 1200 hours. The dollar amount of these vested rights which have been accrued on the financial statements amounted to approximately \$63,622 for vacation at December 31, 2004.

MDOT Settlement –

The Michigan Department of Transportation audited the Road Commission's Trunkline Maintenance contracts for the periods October 1, 1998 through September 30, 2005. As a result of the audits, and agreement for \$36,000 to be repaid over four years effective March 1, 2005 through March 1, 2008.

Capital Lease –

The Road Commission is obligated for a capital lease agreement to finance the acquisition of a copy machine. The minimum annual payments for the capital lease are summarized in Note 10.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 10 - CAPITAL LEASES:

Primary Government –

The County of Mackinac follows the practice of capitalizing those leases that qualify as capital leases. In governmental funds, these capitalized leases are recorded as fixed assets in the General Fixed Assets Account Group with any outstanding liability recorded in the General Long-Term Debt Account Group. The Capital lease commitments at December 31, 2003, are as follows:

On March 12, 1003, the County entered into a capital lease for the lease/purchase of an animal control vehicle. The purchase price was \$17,800 with a down payment \$4,985, including interest of 6.75%	8,881
On December 23, 2003, the County entered into a capital lease for the lease/purchase police vehicle. The purchase price was \$26,500 with \$5,902 due January 15, 2004, with the remaining due in annual installments of \$5,902, including interest of 5.5%	<u>20,687</u>
	<u>\$ 29,568</u>

Commitments under these lease agreements provide for minimum payments summarized as follows:

Minimum Lease Payments –	
2005	10,797
2006	10,797
2007	5,902
2008	<u>5,902</u>
	33,398
Less – interest	<u>(3,830)</u>
	<u>\$ 29,568</u>

Component Units –

Road Commission –

The Road Commission 2004 entered into lease purchase agreement to finance the acquisition of a copy machine with capitalizing cost totaling \$6,643. This lease agreement qualifies as a capital lease for accounting purposes (agreement provides for either title transfer or bargain purchase option at end of the lease terms) and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 10 - CAPITAL LEASES – (cont'd):

The following is a schedule of future minimum lease payments, together with the present value of the minimum lease payments as of December 31, 2004:

Year Ending <u>December 31,</u>	
2005	\$ 1,006
2006	1,861
2007	1,861
2008	1,862
2009	<u>614</u>
	7,204
Amount representing interest	<u>(1,247)</u>
Present value of minimum lease payments	<u>\$ 5,957</u>

NOTE 11 - EMPLOYEE PENSION PLAN:

Primary Government

Plan Description –

Employees hired before July 1, 2001, participate in the Municipal Employees Retirement System (MERS), an agent multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

Funding Policy -

The plan adopted by the Board of Commissioners requires courthouse union members to contribute 3.15%, with no other member contributions required for 2004. The County is required to contribute at an actuarially determined rate; the rate for 2004 was 15.00% to 22.45%. The contribution requirements of plan members and the County are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 11 – EMPLOYEE PENSION PLAN – (cont'd):

Annual Pension Costs –

For fiscal 2003, the County's annual pension cost of \$351,801 for MERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2001, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 4.16% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% annually for employees under benefit E-1 or E-2. The actuarial value of MERS assets was determined on the basis of an evaluation method that assumes the funds earns an expected rate of return (8%) and includes as adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending December 31,</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
2001	\$ 294,537	100 %	\$ -
2002	327,888	100	-
2003	351,801	100	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio AAL (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
2001	5,958,536	7,523,522	1,564,986	79	1,865,709	84
2002	6,323,694	8,558,989	2,235,295	74	1,952,040	115
2003	6,979,504	9,527,188	2,547,684	73	2,049,163	124

Employees hired on or after July 1, 2001, are covered by the Municipal Employees Retirement System defined contributions plan. Under the plan, the County will initially contribute 4% of the employees salary. Thereafter, if an employee elects to contribute 3% of the employees salary, the County will contribute and additional 3%. For the year ended December 31, 2004, the County contributed \$6,127.

Component Unit (Road Commission) –

The Mackinac County Road Commission has a separate plan maintained by the Michigan Municipal Employees Retirement System. Details applicable to the Road Commission pension plan are available in separately issued financial statements. The actuarially determined contribution requirements have been met.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 12 - POST-RETIREMENT BENEFITS:

Primary Government –

In addition to the pension benefits described in Note 10, Mackinac County provides a portion of post-retirement health care benefits to all employees that retired from the County with at least 15 years of service. The County pays from between 15% for employees who retire with 15 years of service to 50% for employees who retire with 25 years of service of the single rate. Expenditures for post-retirement health care benefits are recognized on a pay-as-you-go basis and amounted to \$9,106 for 2004.

Component Unit (Road Commission) –

In addition to the pension benefits described in Note 10, the Mackinac County Road Commission provides post-retirement health care to eligible employees who retire from the Road Commission on or after attaining retirement age with at least ten years of service. Expenditures for post-retirement health care benefits are recognized on a pay-as-you-go basis. For the year ended December 31, 2004 these costs amounted to approximately \$38,868 with four eligible participants.

NOTE 13 – DEFERRED COMPENSATION:

Mackinac County, including its component units, offers all employees various deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. Effective January 1, 1997, the assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial accounts are held by the custodian for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrators are an agent of the employer. The administrators provide direction to the custodians, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the County's financial statements.

NOTE 14 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES:

Primary Government –

In the normal course of its operations, Mackinac County often becomes a party to various claims and lawsuits. In the opinion of management and legal counsel, if any of these claims should result in an unfavorable resolution, the ability would be limited to its deductible under insurance policies. The insurer would pay the losses and there should be no material effect on the financial position of the County.

The County receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims, will not have a material effect on any of the financial statements of the individual fund types included herein, or on the overall financial position of the County at December 31, 2004.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 14 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES:

Component Unit –

Road Commission –

In the normal course of its operations, the Mackinac County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission's legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission's liability would be limited to its deductible under insurance policies.

The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

Also, as part of its trunkline maintenance agreement with the State of Michigan, the Road Commission's costs charged to the State are subject to audit. The amounts, if any, which may have to be paid back to the State cannot be determined at this time, although the Road Commission expects such amounts, if any, to be immaterial.

NOTE 15 – RISK MANAGEMENT:

Primary Government –

General Liability and Property –

The County is exposed to various risks of loss related to torts; theft of, damage to and distraction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member in the Michigan Municipal Risk Management Authority (MMRMA) for risk of loss relating to its property and general liability (including auto liability and vehicle physical damage).

The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and property liability.

The County has joined with numerous other governmental agencies in Michigan as a participant in MMRMA's "State Pool". Members of the State Pool do not have individual self-insured retention amounts other than \$250 deductible per occurrence of property and vehicle coverage.

State Pool members' limits of coverage (per occurrence) are 10 million for liability and approximately \$9,800,000 for property. If a covered loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses is the sole obligation of the County.

Workers' Compensation –

The County participates in the Michigan County Workers' Compensation Fund for workers' compensation insurance. The fund is a municipal self-insurance entity operating within the laws of the State of Michigan.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 15 – RISK MANAGEMENT – (cont’d):

Unemployment –

The County is self-insured for unemployment claims.

Health Insurance –

The County purchases health care coverage through a commercial carrier for eligible County employees. The County has a small self-insurance portion for the difference in coverage under an old plan and the current coverage. For 2004, the total claims paid amount to \$85,566. The amount of IBNR at December 31, 2004 is considered insignificant.

Component Unit (Road Commission) –

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool. The “Pool” was established pursuant to the laws of the State of Michigan, which authorize contracts between municipal corporations (inter-local agreements) to form group self-insurance pools and to prescribe conditions to the performance of those contracts.

The Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protection, claims administration and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Mackinac County Road Commission pays an annual premium to the Pool for general liability, excess liability, errors and omissions, auto liability, auto comprehensive, auto collision, commercial crime, equipment and building and contracts. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Association Self Insurance Fund for worker’s compensation insurance. The Fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The Fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Pool.

The Road Commission continues to carry commercial insurance for employee health and accident insurance. The amount of settlement claims for the last three years have not exceeded insurance coverage. Premiums are adjusted every three months.

MACKINAC COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 16 – FUND EQUITY:

Reserve Fund Balance –

Fund Balance has been reserved in various governmental funds and component units to indicate the portion of fund balance not available but reserved for a specific purpose. The following of reserved fund balance at December 31, 2004:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Nonmajor Funds		
911 Landlines	Prepaid Expenditure	\$ 8,526
911 Wireless	Prepaid Expenditure	<u>4,264</u>
		<u>\$ 12,790</u>

Designated Fund Balance –

The various governing boards of the County have the power to designate or set aside, all or a portion of unreserved fund balance for specific purposes. The following is a summary of designated fund balance of December 31, 2004:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Capital Improvements	\$ 646,212
Nonmajor Fund		
911 Landlines	Equipment	<u>5,000</u>
		<u>\$ 651,212</u>

Retained Earnings

In addition, there is \$327,643 of retained earning reserved in the Delinquent Tax Revolving Fund for the tax sale.

REQUIRED SUPPLEMENTARY INFORMATION

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2004

	Budget			Variance with Amended Budget Positive (Negative)
	Original	Amended	Actual	
Revenues				
Taxes	\$ 3,107,518	\$ 3,281,100	\$ 3,295,012	\$ 13,912
Licenses and permits	6,700	6,700	9,616	2,916
Intergovernmental -				
Federal / State	1,094,421	1,217,087	1,014,575	(202,512)
Local	64,220	97,144	82,413	(14,731)
Charges for services	633,333	672,433	608,303	(64,130)
Fines and forfeits	4,500	2,000	12,891	10,891
Interest and rent	89,600	62,600	85,092	22,492
Other revenue	345,155	311,852	138,133	(173,719)
Total Revenues	<u>5,345,447</u>	<u>5,650,916</u>	<u>5,246,035</u>	<u>(404,881)</u>
Expenditures				
Legislative -				
Board of commissioners	<u>113,083</u>	<u>115,908</u>	<u>117,765</u>	<u>(1,857)</u>
Judicial -				
Circuit court	96,386	96,386	57,379	39,007
Family court	112,648	117,256	47,604	69,652
District court	321,775	325,783	300,882	24,901
Friend of court	188,251	195,551	184,916	10,635
Jury board	5,300	5,300	4,318	982
Public defender	65,663	65,663	65,653	10
Probate court	306,918	311,193	306,662	4,531
Juvenile coordinator	16,053	16,053	16,167	(114)
	<u>1,112,994</u>	<u>1,133,185</u>	<u>983,581</u>	<u>149,604</u>
General Government -				
Administrator	174,441	152,357	140,295	12,062
Elections	23,300	25,850	24,578	1,272
Clerk	194,164	186,375	185,428	947
Equalization	296,736	299,736	275,730	24,006
Prosecuting attorney	310,239	312,239	310,791	1,448
Register of deeds	163,441	168,656	167,156	1,500
Treasurer	162,984	175,856	176,680	(824)
Cooperative extension services	166,861	166,861	142,497	24,364
Data processing	41,650	50,045	46,897	3,148
Building authority	1,050	1,050	-	1,050
Court house and grounds	287,747	302,146	306,540	(4,394)
Microfilm department	2,100	30,100	29,614	486
Planning commission	53,250	19,890	17,504	2,386
Airport	273,821	114,128	101,873	12,255
Legal services	11,000	11,000	5,159	5,841
Audit services	19,900	24,000	21,375	2,625
	<u>2,182,684</u>	<u>2,040,289</u>	<u>1,952,117</u>	<u>88,172</u>

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2004

	Budget			Variance with Amended Budget Positive (Negative)
	Original	Amended	Actual	
Public Safety -				
Sheriff's department	\$ 390,163	\$ 403,920	\$ 410,818	\$(6,898)
Road deputy	54,138	58,238	59,604	(1,366)
Bois blanc deputy	36,438	37,438	36,693	745
SANE	13,000	13,000	13,000	-
Marine law enforcement	137,146	30,288	28,036	2,252
Snowmobile law enforcement	45,891	32,074	6,687	25,387
Forest services	1,200	1,200	757	443
Jail	697,164	706,703	687,053	19,650
Emergency services and homeland security	105,583	228,418	122,282	106,136
Animal control	56,384	59,089	53,507	5,582
	<u>1,537,107</u>	<u>1,570,368</u>	<u>1,418,437</u>	<u>151,931</u>
Public Works -	<u>2,100</u>	<u>2,100</u>	<u>1,298</u>	<u>802</u>
Health and Welfare -				
EUP mental health board	100,902	99,862	97,056	2,806
Medical examiner	33,000	33,000	31,457	1,543
Veterans affairs agency	7,720	13,460	14,282	(822)
Housing	117,825	117,825	86,628	31,197
Housing board	2,200	2,550	2,440	110
Economic development	42,000	75,500	62,479	13,021
	<u>303,647</u>	<u>342,197</u>	<u>294,342</u>	<u>47,855</u>
Other				
Retiree health insurance	9,106	9,106	9,106	-
Deferred sick	2,657	2,657	2,657	-
Insurance	144,263	220,009	202,900	17,109
PILT distribution	26,030	25,873	25,727	146
Contingency	50,000	35,203	-	35,203
Miscellaneous	5,264	5,264	5,264	-
	<u>237,320</u>	<u>298,112</u>	<u>245,654</u>	<u>52,458</u>
Debt Service -				
Principal	32,813	36,837	36,837	-
Interest	2,378	3,249	3,249	-
	<u>35,191</u>	<u>40,086</u>	<u>40,086</u>	<u>-</u>
Total Expenditures	<u>5,524,126</u>	<u>5,542,245</u>	<u>5,053,280</u>	<u>488,965</u>
Excess of revenues over (under) expenditures	<u>(178,679)</u>	<u>108,671</u>	<u>192,755</u>	<u>84,084</u>

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget		Actual	Variance with Amended Budget Positive (Negative)
	Original	Amended		
Other Financing Sources (Uses):				
Transfers from other funds	129,000	133,318	256,204	122,886
Transfers to other funds	(239,500)	(331,818)	(333,518)	(1,700)
	<u>(110,500)</u>	<u>(198,500)</u>	<u>(77,314)</u>	<u>121,186</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	(289,179)	(89,829)	115,441	205,270
Fund Balance at beginning of year	<u>1,665,958</u>	<u>1,665,958</u>	<u>1,665,958</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 1,376,779</u>	<u>\$ 1,576,129</u>	<u>\$ 1,781,399</u>	<u>\$ 205,270</u>

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOSPITAL MILLAGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget			Variance with Amended Budget Positive (Negative)
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	<u></u>
Revenues:				
Taxes	\$ 910,800	\$ 925,800	\$ 914,436	\$(11,364)
Interest	<u>800</u>	<u>800</u>	<u>407</u>	<u>(393)</u>
	911,600	926,600	914,843	(11,757)
Expenditures:				
Health and Welfare	<u>911,600</u>	<u>911,600</u>	<u>911,650</u>	<u>(50)</u>
Excess of revenues over (under) expenditures	-	15,000	3,193	(11,807)
Fund Balance at beginning of year	<u>54</u>	<u>54</u>	<u>54</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 54</u></u>	<u><u>\$ 15,054</u></u>	<u><u>\$ 3,247</u></u>	<u><u>\$(11,807)</u></u>

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REVENUE SHARING RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget		Actual	Variance with Amended Budget Positive (Negative)
	Original	Amended		
Revenues:				
Taxes	\$ -	\$ -	\$ 1,025,449	\$ 1,025,449
Other Financing (Uses):				
Transfer to other funds	-	-	(122,886)	(122,886)
Excess of revenues over expenditures and other (uses)	-	-	902,563	902,563
Fund Balance at beginning of year	-	-	-	-
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 902,563</u>	<u>\$ 902,563</u>

Note: On September 30, 2004 the Governor of the State of Michigan signed into law Public Act 357 of 2004, which gradually shifts County General property taxes from December to July. The Act required the establishment of a Revenue Sharing Fund. However, because guidelines of how the Act would be implemented were not released until late in December 2004, no budget was adopted.

SUPPLEMENTARY INFORMATION

MACKINAC COUNTY, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2004**

	Special Revenue Funds			
	Liquor Law Enforcement	Friend of the Court	Family Counseling	Emergency Planning
ASSETS				
Cash and cash equivalents	\$ 22,173	\$ 11,711	\$ 20,955	\$ 3,833
Accounts Receivable	-	-	-	-
Due from other government units - Federal/State	-	-	-	-
Due from other funds	-	-	-	-
Prepayments and deposits	-	-	-	-
Total Assets	<u>\$ 22,173</u>	<u>\$ 11,711</u>	<u>\$ 20,955</u>	<u>\$ 3,833</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Reserved -				
Prepaid Expenditures	-	-	-	-
Unreserved -				
Designated	-	-	-	-
Undesignated	22,173	11,711	20,955	3,833
Total Fund Balance	<u>22,173</u>	<u>11,711</u>	<u>20,955</u>	<u>3,833</u>
Total Liabilities and Fund Balance	<u>\$ 22,173</u>	<u>\$ 11,711</u>	<u>\$ 20,955</u>	<u>\$ 3,833</u>

Special Revenue Funds

<u>Pass-Through Grants</u>	<u>R.O.D Automation</u>	<u>Survey Remonumentation</u>	<u>Community Corrections</u>	<u>911 Landlines</u>	<u>911 Wireless</u>	<u>Corrections Officer's Training</u>
\$ -	\$ 37,728	\$ 18,124	\$ 29,768	\$ 562,366	\$ 38,051	\$ 2,093
-	-	-	-	19,528	-	-
34,241	-	19,885	600	-	20,695	-
-	-	-	-	-	-	-
-	-	-	-	8,526	4,264	-
<u>\$ 34,241</u>	<u>\$ 37,728</u>	<u>\$ 38,009</u>	<u>\$ 30,368</u>	<u>\$ 590,420</u>	<u>\$ 63,010</u>	<u>\$ 2,093</u>
\$ 34,241	\$ -	\$ 38,009	\$ 69	\$ 1,270	\$ 552	\$ -
-	-	-	319	400	224	-
<u>34,241</u>	<u>-</u>	<u>38,009</u>	<u>388</u>	<u>1,670</u>	<u>776</u>	<u>-</u>
-	-	-	-	8,526	4,264	-
-	-	-	-	5,000	-	-
-	37,728	-	29,980	575,224	57,970	2,093
<u>-</u>	<u>37,728</u>	<u>-</u>	<u>29,980</u>	<u>588,750</u>	<u>62,234</u>	<u>2,093</u>
<u>\$ 34,241</u>	<u>\$ 37,728</u>	<u>\$ 38,009</u>	<u>\$ 30,368</u>	<u>\$ 590,420</u>	<u>\$ 63,010</u>	<u>\$ 2,093</u>

MACKINAC COUNTY, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2004**

	Special Revenue Funds			
	Probation Oversight	Law Library	Airport Terminal Improvement	Michigan Justice Training
ASSETS				
Cash and cash equivalents	\$ 2,093	\$ 887	\$ 11,107	\$ 5,468
Accounts Receivable	-	-	-	-
Due from other government units - Federal/State	-	-	-	-
Due from other funds	-	1,700	-	-
Prepayments and deposits	-	-	-	-
Total Assets	<u>\$ 2,093</u>	<u>\$ 2,587</u>	<u>\$ 11,107</u>	<u>\$ 5,468</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ 2,584	\$ -	\$ -
Accrued liabilities	-	-	-	-
Total Liabilities	<u>-</u>	<u>2,584</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Reserved -				
Prepaid Expenditures	-	-	-	-
Unreserved -				
Designated	-	-	-	-
Undesignated	2,093	3	11,107	5,468
Total Fund Balance	<u>2,093</u>	<u>3</u>	<u>11,107</u>	<u>5,468</u>
Total Liabilities and Fund Balance	<u>\$ 2,093</u>	<u>\$ 2,587</u>	<u>\$ 11,107</u>	<u>\$ 5,468</u>

Special Revenue Funds

<u>Township Road</u>	<u>Child Care</u>	<u>In Home Child Care</u>	<u>Veterans' Trust</u>	<u>Substance Abuse</u>	<u>Plat Book</u>	<u>Circuit Court Victims' Restitution</u>
\$ 20,000	\$ 60,189	\$ -	\$ 222	\$ -	\$ 35,357	\$ 4,050
-	-	-	-	-	28	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 20,000</u>	<u>\$ 60,189</u>	<u>\$ -</u>	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ 35,385</u>	<u>\$ 4,050</u>

\$ 20,000	\$ 1,056	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
<u>20,000</u>	<u>1,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	59,133	-	222	-	35,385	4,050
-	59,133	-	222	-	35,385	4,050
<u>\$ 20,000</u>	<u>\$ 60,189</u>	<u>\$ -</u>	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ 35,385</u>	<u>\$ 4,050</u>

MACKINAC COUNTY, MICHIGAN

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2004**

	<u>Debt Service Funds</u>	
	<u>Building Authority</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 886,175
Accounts Receivable	-	19,556
Due from other government units - Federal/State	-	75,421
Due from other funds	-	1,700
Prepayments and deposits	-	12,790
	<u> </u>	<u> </u>
Total Assets	<u>\$ -</u>	<u>\$ 995,642</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ -	\$ 97,781
Accrued liabilities	-	943
Total Liabilities	<u> </u>	<u>98,724</u>
Fund Balance:		
Reserved -		
Prepaid Expenditures	-	12,790
Unreserved -		
Designated	-	5,000
Undesignated	-	879,128
Total Fund Balance	<u> </u>	<u>896,918</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 995,642</u>

MACKINAC COUNTY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Special Revenue Funds			
	Liquor Law Enforcement	Friend of the Court	Family Counseling	Emergency Planning
Revenues:				
Intergovernmental -				
Federal/State	\$ 9,210	\$ -	\$ -	\$ 1,588
Charges for services	-	-	3,015	-
Fines and forfeits	-	1,786	-	-
Interest and rent	-	-	-	-
Other Revenues	-	-	-	-
Total Revenues	<u>9,210</u>	<u>1,786</u>	<u>3,015</u>	<u>1,588</u>
Expenditures:				
Current -				
Judicial	-	1,695	-	-
General	-	-	-	-
Public Safety	6,270	-	-	971
Public Works	-	-	-	-
Health and Welfare	-	-	2,000	-
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>6,270</u>	<u>1,695</u>	<u>2,000</u>	<u>971</u>
Excess of revenues over (under) expenditures	<u>2,940</u>	<u>91</u>	<u>1,015</u>	<u>617</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	2,940	91	1,015	617
Fund Balances at beginning of year	<u>19,233</u>	<u>11,620</u>	<u>19,940</u>	<u>3,216</u>
Fund Balances at end of year	<u><u>\$ 22,173</u></u>	<u><u>\$ 11,711</u></u>	<u><u>\$ 20,955</u></u>	<u><u>\$ 3,833</u></u>

Special Revenue Funds

<u>Pass-Through Grants</u>	<u>R.O.D Automation</u>	<u>Survey Remonumentation</u>	<u>Community Corrections</u>	<u>911 Landlines</u>	<u>911 Wireless</u>	<u>Corrections Officer's Training</u>
\$ 61,003	\$ -	\$ 69,432	\$ 18,409	\$ -	\$ -	\$ -
-	25,404	-	15,627	198,724	80,482	2,093
-	-	-	-	-	-	-
-	442	-	-	8,442	615	-
22,519	-	-	-	-	-	-
<u>83,522</u>	<u>25,846</u>	<u>69,432</u>	<u>34,036</u>	<u>207,166</u>	<u>81,097</u>	<u>2,093</u>
-	-	-	37,872	-	-	-
-	-	69,432	-	-	-	-
-	-	-	-	224,942	67,079	-
-	-	-	-	-	-	-
83,522	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>83,522</u>	<u>-</u>	<u>69,432</u>	<u>37,872</u>	<u>224,942</u>	<u>67,079</u>	<u>-</u>
-	25,846	-	(3,836)	(17,776)	14,018	2,093
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	25,846	-	(3,836)	(17,776)	14,018	2,093
-	11,882	-	33,816	606,526	48,216	-
<u>\$ -</u>	<u>\$ 37,728</u>	<u>\$ -</u>	<u>\$ 29,980</u>	<u>\$ 588,750</u>	<u>\$ 62,234</u>	<u>\$ 2,093</u>

Continued

MACKINAC COUNTY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Special Revenue Funds			
	Probation Oversight	Law Library	Airport Terminal Improvement	Michigan Justice Training
Revenues:				
Intergovernmental -				
Federal/State	\$ -	\$ -	\$ 299,154	\$ 1,355
Charges for services	-	-	-	-
Fines and forfeits	1,055	2,500	-	-
Interest and rent	-	-	-	-
Other Revenues	-	-	11,107	-
Total Revenues	<u>1,055</u>	<u>2,500</u>	<u>310,261</u>	<u>1,355</u>
Expenditures:				
Current -				
Judicial	-	12,428	-	-
General	-	-	299,154	-
Public Safety	2,640	-	-	-
Public Works	-	-	-	-
Health and Welfare	-	-	-	-
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>2,640</u>	<u>12,428</u>	<u>299,154</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(1,585)</u>	<u>(9,928)</u>	<u>11,107</u>	<u>1,355</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	10,200	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>10,200</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(1,585)</u>	<u>272</u>	<u>11,107</u>	<u>1,355</u>
Fund Balances at beginning of year	<u>3,678</u>	<u>(269)</u>	<u>-</u>	<u>4,113</u>
Fund Balances at end of year	<u><u>\$ 2,093</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 11,107</u></u>	<u><u>\$ 5,468</u></u>

Special Revenue Funds

Township Road	Child Care	In Home Child Care	Veterans' Trust	Substance Abuse	Plat Book	Circuit Court Victims' Restitution
\$ -	\$ 66,244	\$ -	\$ 3,825	\$ 51,180	\$ -	\$ -
-	31,879	-	-	-	5,970	-
-	-	-	-	-	-	1,328
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	98,123	-	3,825	51,180	5,970	1,328
-	-	-	-	-	-	-
-	-	-	-	-	-	3,170
-	-	-	-	-	-	-
-	-	-	-	-	-	-
130,000	-	-	-	-	-	-
-	132,369	2,544	3,932	51,180	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
130,000	132,369	2,544	3,932	51,180	-	3,170
(130,000)	(34,246)	(2,544)	(107)	-	5,970	(1,842)
130,000	60,000	2,544	-	-	-	-
-	(2,544)	-	-	-	-	-
130,000	57,456	2,544	-	-	-	-
-	23,210	-	(107)	-	5,970	(1,842)
-	35,923	-	329	-	29,415	5,892
\$ -	\$ 59,133	\$ -	\$ 222	\$ -	\$ 35,385	\$ 4,050

Continued

MACKINAC COUNTY, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Debt Service Funds	
	Building Authority	Total
Revenues:		
Intergovernmental -		
Federal/State	\$ -	\$ 581,400
Charges for services	-	363,194
Fines and forfeits	-	6,669
Interest and rent	-	9,499
Other Revenues	-	33,626
Total Revenues	-	994,388
Expenditures:		
Current -		
Judicial	-	55,165
General	-	368,586
Public Safety	-	301,902
Public Works	-	130,000
Health and Welfare	-	275,547
Debt Service		
Principal retirement	56,000	56,000
Interest and fiscal charges	77,318	77,318
Total Expenditures	133,318	1,264,518
Excess of revenues over (under) expenditures	(133,318)	(270,130)
Other Financing Sources (Uses):		
Transfers from other funds	133,318	336,062
Transfers to other funds	-	(2,544)
Total Other Financing Sources (Uses)	133,318	333,518
Excess of revenues and other sources over (under) expenditures and other uses	-	63,388
Fund Balances at beginning of year	-	833,530
Fund Balances at end of year	\$ -	\$ 896,918

Concluded

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget			Variance Positive (Negative)
	Original	Amended	Actual	
LIQUOR LAW ENFORCEMENT FUND				
Revenues:				
Intergovernmental - Federal/State	\$ 4,000	\$ 4,000	\$ 9,210	\$ 5,210
Expenditures:				
Public Safety	4,000	9,000	6,270	2,730
Excess of revenues over (under) expenditures	-	(5,000)	2,940	7,940
Fund Balance at beginning of year	19,233	19,233	19,233	-
Fund Balance at end of year	<u>\$ 19,233</u>	<u>\$ 14,233</u>	<u>\$ 22,173</u>	<u>\$ 7,940</u>

FRIEND OF THE COURT FUND

Revenues:				
Fines and forfeits	\$ 900	\$ 1,400	\$ 1,786	\$ 386
Expenditures:				
Judicial	5,000	6,000	1,695	4,305
Excess of revenues over (under) expenditures	(4,100)	(4,600)	91	4,691
Fund Balance at beginning of year	11,620	11,620	11,620	-
Fund Balance at end of year	<u>\$ 7,520</u>	<u>\$ 7,020</u>	<u>\$ 11,711</u>	<u>\$ 4,691</u>

FAMILY COUNSELING FUND

Revenues:				
Charges for services	\$ 3,500	\$ 3,500	\$ 3,015	\$(485)
Expenditures:				
Health and Welfare	-	2,000	2,000	-
Excess of revenues over (under) expenditures	3,500	1,500	1,015	(485)
Fund Balance at beginning of year	19,940	19,940	19,940	-
Fund Balance at end of year	<u>\$ 23,440</u>	<u>\$ 21,440</u>	<u>\$ 20,955</u>	<u>\$(485)</u>

(Continued)

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budget</u>			<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	
EMERGENCY PLANNING FUND				
Revenues:				
Intergovernmental- Federal/State	\$ 500	\$ 1,300	\$ 1,588	\$ 288
Expenditures:				
Public Safety	<u>650</u>	<u>1,033</u>	<u>971</u>	<u>62</u>
Excess of revenues over (under) expenditures	(150)	267	617	350
Fund Balance at beginning of year	<u>3,216</u>	<u>3,216</u>	<u>3,216</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 3,066</u></u>	<u><u>\$ 3,483</u></u>	<u><u>\$ 3,833</u></u>	<u><u>\$ 350</u></u>

PASS-THROUGH GRANTS FUND

Revenues:				
Intergovernmental - Federal/State	\$ 181,000	\$ 123,954	\$ 61,003	\$(62,951)
Other	<u>-</u>	<u>-</u>	<u>22,519</u>	<u>22,519</u>
	181,000	123,954	83,522	(40,432)
Expenditures:				
Health and welfare	<u>181,000</u>	<u>123,954</u>	<u>83,522</u>	<u>40,432</u>
Excess of revenues over expenditures	-	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

R.O.D. AUTOMATION FUND

Revenues:				
Charges for Services	\$ 23,000	\$ 23,000	\$ 25,404	\$ 2,404
Interest	<u>-</u>	<u>-</u>	<u>442</u>	<u>442</u>
	23,000	23,000	25,846	2,846
Other Financing Uses:				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	23,000	23,000	25,846	2,846
Fund Balance at beginning of year	<u>11,882</u>	<u>11,882</u>	<u>11,882</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 34,882</u></u>	<u><u>\$ 34,882</u></u>	<u><u>\$ 37,728</u></u>	<u><u>\$ 2,846</u></u>

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budget</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	
SURVEY REMONUMENTATION FUND				
Revenues:				
Intergovernmental - Federal/State	\$ 51,928	\$ 64,537	69,432	\$ 4,895
Expenditures:				
General government	<u>51,928</u>	<u>64,537</u>	<u>69,432</u>	<u>(4,895)</u>
Excess of revenues over expenditures	-	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMMUNITY CORRECTIONS FUND

Revenues:				
Intergovernmental - Federal/State	\$ 24,046	\$ 28,746	\$ 18,409	\$(10,337)
Charges for services	<u>19,000</u>	<u>19,000</u>	<u>15,627</u>	<u>(3,373)</u>
	43,046	47,746	34,036	(13,710)
Expenditures:				
Judicial	<u>47,488</u>	<u>54,238</u>	<u>37,872</u>	<u>16,366</u>
Excess of revenues over (under) expenditures	(4,442)	(6,492)	(3,836)	2,656
Fund Balance at beginning of year	<u>33,816</u>	<u>33,816</u>	<u>33,816</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 29,374</u></u>	<u><u>\$ 27,324</u></u>	<u><u>\$ 29,980</u></u>	<u><u>\$ 2,656</u></u>

911 LANDLINES FUND

Revenues:				
Charges for services	\$ 190,080	\$ 195,335	\$ 198,724	\$ 3,389
Interest	<u>9,600</u>	<u>7,000</u>	<u>8,442</u>	<u>1,442</u>
	199,680	202,335	207,166	4,831
Expenditures:				
Public Safety	<u>192,713</u>	<u>292,335</u>	<u>224,942</u>	<u>67,393</u>
Excess of revenues over (under) expenditures	6,967	(90,000)	(17,776)	72,224
Fund Balance at beginning of year	<u>606,526</u>	<u>606,526</u>	<u>606,526</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 613,493</u></u>	<u><u>\$ 516,526</u></u>	<u><u>\$ 588,750</u></u>	<u><u>\$ 72,224</u></u>

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	<u>Positive (Negative)</u>
911WIRELESS FUND				
Revenues:				
Charges for services	\$ 68,000	\$ 68,000	\$ 80,482	\$ 12,482
Interest	-	235	615	380
	<u>68,000</u>	<u>68,235</u>	<u>81,097</u>	<u>12,862</u>
Expenditures:				
Public Safety	<u>75,074</u>	<u>116,235</u>	<u>67,079</u>	<u>49,156</u>
Excess of revenues over (under) expenditures	(7,074)	(48,000)	14,018	62,018
Fund Balance at beginning of year	<u>48,216</u>	<u>48,216</u>	<u>48,216</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 41,142</u></u>	<u><u>\$ 216</u></u>	<u><u>\$ 62,234</u></u>	<u><u>\$ 62,018</u></u>

CORRECTION OFFICER'S TRAINING

Revenues:				
Charges for services	\$ -	\$ 1,000	\$ 2,093	\$ 1,093
Expenditures:				
Public Safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	-	1,000	2,093	1,093
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ 2,093</u></u>	<u><u>\$ 1,093</u></u>

PROBATION OVERSIGHT FUND

Revenues:				
Fines and Forfeits	\$ 1,800	\$ 1,800	\$ 1,055	\$(745)
Expenditures:				
Public Safety	<u>1,500</u>	<u>2,562</u>	<u>2,640</u>	<u>(78)</u>
Excess of revenues over (under) expenditures	300	(762)	(1,585)	(823)
Fund Balance at beginning of year	<u>3,678</u>	<u>3,678</u>	<u>3,678</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 3,978</u></u>	<u><u>\$ 2,916</u></u>	<u><u>\$ 2,093</u></u>	<u><u>\$(823)</u></u>

(Continued)

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Amended</u>		
LAW LIBRARY FUND				
Revenues:				
Fines and Forfeits	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Expenditures:				
Judicial	<u>8,000</u>	<u>11,000</u>	<u>12,428</u>	<u>(1,428)</u>
Excess of revenues (under) expenditures	(5,500)	(8,500)	(9,928)	(1,428)
Other Financing Sources:				
Transfers in	<u>5,500</u>	<u>5,500</u>	<u>10,200</u>	<u>4,700</u>
Excess of revenues and other sources over (under) expenditures	-	(3,000)	272	3,272
Fund Balance (Deficit) at beginning of year	<u>(269)</u>	<u>(269)</u>	<u>(269)</u>	<u>-</u>
Fund Balance (Deficit) at end of year	<u><u>\$(269)</u></u>	<u><u>\$(3,269)</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 3,272</u></u>

AIRPORT TERMINAL IMPROVEMENT

Revenues:				
Federal/State	\$ -	\$ 311,107	\$ 299,154	\$(11,953)
Other	<u>-</u>	<u>-</u>	<u>11,107</u>	<u>11,107</u>
	-	311,107	310,261	(846)
Expenditures:				
Public Works	<u>-</u>	<u>300,000</u>	<u>299,154</u>	<u>846</u>
Excess of revenues over expenditures	-	11,107	11,107	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 11,107</u></u>	<u><u>\$ 11,107</u></u>	<u><u>\$ -</u></u>

MICHIGAN JUSTICE TRAINING FUND

Revenues:				
Intergovernmental - Federal/State	\$ 3,500	\$ 3,500	\$ 1,355	\$(2,145)
Expenditures:				
Judicial	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Excess of revenues over expenditures	-	-	1,355	1,355
Fund Balance at beginning of year	<u>4,113</u>	<u>4,113</u>	<u>4,113</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 4,113</u></u>	<u><u>\$ 4,113</u></u>	<u><u>\$ 5,468</u></u>	<u><u>\$ 1,355</u></u>

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budget</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	
TOWNSHIP ROAD FUND				
Expenditures:				
Public Works	\$ 65,000	\$ 130,000	\$ 130,000	\$ -
Other Financing Sources:				
Transfer from other funds	<u>65,000</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
Excess of other sources over expenditures	-	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
CHILD CARE FUND				
Revenues:				
Intergovernmental - Federal/State	\$ 2,500	\$ 65,000	\$ 66,244	\$ 1,244
Charges for services	<u>17,250</u>	<u>17,250</u>	<u>31,879</u>	<u>14,629</u>
	19,750	82,250	98,123	15,873
Expenditures:				
Health and Welfare	<u>50,000</u>	<u>145,000</u>	<u>132,369</u>	<u>12,631</u>
Excess of revenues over (under) expenditures	<u>(30,250)</u>	<u>(62,750)</u>	<u>(34,246)</u>	<u>28,504</u>
Other Financing Sources (Uses):				
Transfer from other funds	40,000	60,000	60,000	-
Transfer to other funds	<u>-</u>	<u>(2,544)</u>	<u>(2,544)</u>	<u>-</u>
	<u>40,000</u>	<u>57,456</u>	<u>57,456</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	9,750	(5,294)	23,210	28,504
Fund Balance at beginning of year	<u>35,923</u>	<u>35,923</u>	<u>35,923</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 45,673</u></u>	<u><u>\$ 30,629</u></u>	<u><u>\$ 59,133</u></u>	<u><u>\$ 28,504</u></u>

(Continued)

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budget</u>			<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	
IN HOME CHILD CARE				
Expenditures:				
Health and Welfare	\$ -	\$ 4,000	\$ 2,544	\$ 1,456
Other Financing Sources:				
Transfer from other funds	<u>-</u>	<u>4,000</u>	<u>2,544</u>	<u>(1,456)</u>
Excess of other sources over expenditures	-	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

VETERANS' TRUST FUND

Revenues:				
Intergovernmental - Federal/State	\$ 2,000	\$ 2,000	\$ 3,825	\$ 1,825
Expenditures:				
Health and Welfare	<u>2,000</u>	<u>4,254</u>	<u>3,932</u>	<u>322</u>
Excess of revenues over (under) expenditures	-	(2,254)	(107)	2,147
Fund Balance at beginning of year	<u>329</u>	<u>329</u>	<u>329</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 329</u></u>	<u><u>\$(1,925)</u></u>	<u><u>\$ 222</u></u>	<u><u>\$ 2,147</u></u>

SUBSTANCE ABUSE FUND

Revenues:				
Intergovernmental - Federal/State	\$ 56,146	\$ 51,180	\$ 51,180	\$ -
Expenditures:				
Health and Welfare	<u>56,146</u>	<u>51,180</u>	<u>51,180</u>	<u>-</u>
Excess of revenues over expenditures	-	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

MACKINAC COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget			Variance
	Original	Amended	Actual	Positive (Negative)
PLAT BOOK FUND				
Revenues:				
Charges for services	\$ 6,000	\$ 6,000	\$ 5,970	\$(30)
Expenditures:				
General	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Excess of revenues over expenditures	-	-	5,970	5,970
Fund Balance at beginning of year	<u>29,415</u>	<u>29,415</u>	<u>29,415</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 29,415</u></u>	<u><u>\$ 29,415</u></u>	<u><u>\$ 35,385</u></u>	<u><u>\$ 5,970</u></u>

CIRCUIT COURT VICTIMS' RESTITUTION FUND

Revenues:				
Fines and Forfeits	\$ 2,000	\$ 2,000	\$ 1,328	\$(672)
Expenditures:				
Judicial	<u>2,000</u>	<u>3,170</u>	<u>3,170</u>	<u>-</u>
Excess of revenues (under) expenditures	-	(1,170)	(1,842)	(672)
Fund Balance at beginning of year	<u>5,892</u>	<u>5,892</u>	<u>5,892</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 5,892</u></u>	<u><u>\$ 4,722</u></u>	<u><u>\$ 4,050</u></u>	<u><u>\$(672)</u></u>

(Concluded)

FIDUCIARY FUNDS

MACKINAC COUNTY, MICHIGAN

AGENCY FUND COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED DECEMBER 31, 2004

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 1,209,520	\$ 8,658,637	\$ 8,812,648	\$ 1,055,509
Liabilities:				
Due to other funds	\$ -	\$ 237,508	\$ 237,508	\$ -
Due to other governmental units -				
Federal	28,535	808,376	836,414	497
State	74,018	6,400,882	6,474,161	739
Local	939,086	5,394,895	5,586,391	747,590
Due to individuals and agencies	167,881	2,858,871	2,720,069	306,683
	<u>\$ 1,209,520</u>	<u>\$ 15,700,532</u>	<u>\$ 15,854,543</u>	<u>\$ 1,055,509</u>

MACKINAC COUNTY, MICHIGAN

**TRUST AND AGENCY FUNDS
SCHEDULE OF CHANGES IN NET ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
TRUST AND AGENCY				
Assets:				
Cash and cash equivalents	\$ 996,983	\$ 6,406,772	\$ 6,489,574	\$ 914,181
Liabilities:				
Due to other funds	\$ -	\$ 237,508	\$ 237,508	\$ -
Due to other governmental units -				
State	57,897	6,260,307	6,317,467	737
Local	939,086	5,394,895	5,586,391	747,590
Due to individuals and agencies	-	848,604	682,750	165,854
	<u>996,983</u>	<u>12,741,314</u>	<u>12,824,116</u>	<u>914,181</u>

LIBRARY PENAL FINES AGENCY FUND

Assets:				
Cash and cash equivalents	\$ 84,919	\$ 144,714	\$ 146,190	\$ 83,443
Liabilities:				
Due to individuals and agencies	\$ 84,919	\$ 144,714	\$ 146,190	\$ 83,443

PROBATE COURT TRUST FUND

Assets:				
Cash and cash equivalents	\$ 14,803	\$ 385	\$ -	\$ 15,188
Liabilities:				
Due to individuals and agencies	\$ 14,803	\$ 385	\$ -	\$ 15,188

INMATE TRUST FUND

Assets:				
Cash and cash equivalents	\$ 465	\$ 1,171	\$ 975	\$ 661
Liabilities:				
Due to individuals and agencies	\$ 465	\$ 1,171	\$ 975	\$ 661

MACKINAC COUNTY, MICHIGAN

**TRUST AND AGENCY FUNDS
SCHEDULE OF CHANGES IN NET ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
PAYROLL CLEARING FUND				
Assets:				
Cash and cash equivalents	\$ 112,350	\$ 2,105,595	\$ 2,175,909	\$ 42,036
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Due to other governmental units -				
Federal	\$ 28,535	\$ 808,376	\$ 836,414	\$ 497
State	16,121	140,575	156,694	2
Due to individuals and agencies	67,694	1,863,997	1,890,154	41,537
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 112,350</u>	<u>\$ 2,812,948</u>	<u>\$ 2,883,262</u>	<u>\$ 42,036</u>

COMPONENT UNIT - BOARD OF PUBLIC WORKS

MACKINAC COUNTY, MICHIGAN
COMBINING BALANCE SHEET/STATEMENT OF NET ASSETS
BOARD OF PUBLIC WORKS
DECEMBER 31, 2004

	Governmental Activities			
	Debt Service			Capital Projects
	Brevort Township Sewer	Clark Township Sewer	Moran Township Sewer	Brevort Township Sewer
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 99
Receivables -				
Leases	806,000	3,338,000	30,000	-
Interest	-	-	-	-
Total Assets	<u>\$ 806,000</u>	<u>\$ 3,338,000</u>	<u>\$ 30,000</u>	<u>\$ 99</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Deferred revenue	\$ 806,000	\$ 3,338,000	\$ 30,000	\$ -
Accrued interest	-	-	-	-
Non-current liabilities				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
Total Liabilities	<u>806,000</u>	<u>3,338,000</u>	<u>30,000</u>	<u>-</u>
Fund Balance/Net Assets:				
Unreserved/Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>99</u>
Total Liabilities and Fund Balance	<u>\$ 806,000</u>	<u>\$ 3,338,000</u>	<u>\$ 30,000</u>	<u>\$ 99</u>

Governmental Activities Total	GASB 34 Adjustments	Statement of Net Assets
\$ 99	\$ -	\$ 99
4,174,000	-	4,174,000
-	37,267	37,267
<u>\$ 4,174,099</u>	<u>\$ 37,267</u>	<u>\$ 4,211,366</u>
\$ 4,174,000	\$(4,174,000)	\$ -
-	37,267	37,267
-	119,000	119,000
-	4,055,000	4,055,000
<u>4,174,000</u>	<u>37,267</u>	<u>4,211,267</u>
<u>99</u>	<u>\$ -</u>	<u>\$ 99</u>
<u>\$ 4,174,099</u>		

MACKINAC COUNTY, MICHIGAN

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
BOARD OF PUBLIC WORKS TO NET ASSETS OF BOARD OF PUBLIC WORKS ACTIVITIES
DECEMBER 31, 2004**

Fund Balances - Board of Public Works		\$	99
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds			
Increase in accrued interest on long-term leases			37,267
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Lease receivable			4,174,000
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	(	4,174,000)	
Accrued interest on bonds/notes payable	(	37,267)	(
			4,211,267)
Net Assets of Board of Public Works		\$	99

MACKINAC COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE/STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Activities			
	Debt Service Funds			Capital Projects
	Brevort Township Sewer	Clark Township Sewer	Moran Township Sewer	Brevort Township Sewer
Revenues:				
Intergovernmental -				
Federal	-	-	-	-
Local - Charges for services	\$ 36,520	\$ 261,544	\$ 8,340	\$ -
	<u>36,520</u>	<u>261,544</u>	<u>8,340</u>	<u>-</u>
Expenditures:				
Debt Service -	-			
Principal	10,000	103,000	6,000	-
Interest	26,520	158,544	2,340	-
	<u>36,520</u>	<u>261,544</u>	<u>8,340</u>	<u>-</u>
Excess of revenues over (under) expenditures	-	-	-	-
Fund Balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>99</u>
Fund Balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 99</u></u>

Governmental Activities Total	GASB 34 Adjustments	Total
-	-	-
\$ 306,404	\$ (119,697)	\$ 186,707
<u>306,404</u>	<u>(119,697)</u>	<u>186,707</u>
119,000	(119,000)	-
<u>187,404</u>	<u>(697)</u>	<u>186,707</u>
<u>306,404</u>	<u>(119,697)</u>	<u>186,707</u>
-	-	-
99	-	99
<u>99</u>	<u>-</u>	<u>99</u>
<u>\$ 99</u>	<u>\$ -</u>	<u>\$ 99</u>

MACKINAC COUNTY, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF BOARD OF PUBLIC WORKS
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2004**

Net change in fund balances - Board of Public Works	\$ -
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(119,697)
The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.	
Principal payments on long term liabilities	119,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Decrease in accrued interest payable	<u>697</u>
Change in net assets of Board of Public Works	<u><u>\$ -</u></u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners
of Mackinac County
St. Ignace, Michigan

We have audited the basic financial statements of the County of Mackinac County, Michigan, as of and for the year ended December 31, 2004, and have issued our report thereon, dated February 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financing Reporting

In planning and performing our audit, we considered the County of Mackinac, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County of Mackinac, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable conditions are described as follows:

There is a lack of segregation of duties in the Treasurer's office.

At the current time the same individual(s) in the Treasurer's office can receive cash, make journal entries, record transactions to the general ledger, reconcile bank accounts, maintain the general ledger and are also one of the check signers. We understand that in small entities it is very difficult to segregate accounting functions, however, if possible we recommend that these duties be segregated as much as possible.

A detailed listing of Inmate reimbursement receivables should be maintained and reconciled to the general ledger on a monthly basis.

The amount due for inmate housing is not recorded on the general ledger and there was no report available indicating what amounts are due. In addition, the same individual that is responsible for the accounts receivable ledger also collect payments, adjusts accounts, etc. Although we understand that most of these amounts are uncollectible, to increase controls the County should maintain a detailed listing of the amounts due, billings for the period and collections. The Board should consider whether it is possible to have someone other than the individuals collecting payments, perform the billings and maintain the accounts receivable ledger.

All revenues collected by the Sheriff's Department should be deposited on a timely basis.

During our audit, we noted that revenues collected in the Sheriff's Department were not deposited with the Treasurer on a timely basis. In fact, most time revenues were only deposited with the County Treasurer once a month and sometimes longer.

We recommend that deposits be made with the County Treasurer on a regular basis, and no less frequent than weekly.

The procedures utilized for the inmate trust/commissary account should be modified.

For the year under audited, as in prior years, the inmate monies and the commissary revenues have been combined into one bank account. At the end of each month a bank statement was then provided to the County Treasurer, and any net increase in the account was recorded as revenue and any decrease as expenses. As a result, the reported revenues and expenses for the commissary for the year ended December 31, 2004, are not reported correctly. Based on a discussion with the Sheriff, we understand that it is not practical to separate the accounts; however, we recommend the following changes be made:

- No amounts should be paid out of this account other than refunds of inmate trust balances when they are discharged. During our audit, we noted that cable bills, commissary supplies, equipment, etc., were purchased directly from this account. All payments to vendors should go through the normal accounts payable process with the County Clerk.
- The amount of inmate monies held in this account should be recorded as a liability. Then, at the end of the month, a bank statement, a summary of inmate balances, and the amount of commissary items purchased by the inmates during the month, should be provided to the County Treasurer to make the necessary entries to the general ledger.
- The bank account should be reconciled on a monthly basis by someone other than the individual(s) responsible for writing checks.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the lack of segregation of duties in the Treasurer's office is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the County of Mackinac, Michigan, in a separate letter dated February 18, 2005.

Compliance

As part of obtaining reasonable assurance about whether the County of Mackinac, Michigan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Board of Commissioners, the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Stewart, Beauvois & Whipple".

Certified Public Accountants

February 18, 2005

MANAGEMENT LETTER

To the Board of Commissioners
Mackinac County
St. Ignace, Michigan

As you know, we have recently completed our audit of the basic financial statements of the County of Mackinac, Michigan as of and for the year ended December 31, 2004. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in further improving management's control and the operational efficiency of the County's recordkeeping system. These suggestions are a result of our evaluation of internal accounting control for audit purposes and our discussions with management. As noted in the **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**, dated February 18, 2005, the conditions described below are not considered reportable conditions or material weaknesses.

All journal entries should be reviewed and approved by a second individual.

At the current time, journal entries do not require a second persons review and approval. To increase control, we suggest that all journal entries be reviewed and approved by a second person.

Budget Status reports should be provided and reviewed by the Board of Commissioner.

At the current time, it is our understanding that a summary financial report is provided to the Board of Commissioners on a monthly basis by the County Treasurer that provides summary revenues and expenditures. To further increase controls, we suggest that a budget status report be provided and reviewed by the Board of Commissioners at least quarterly.

All grants should be filed on a monthly basis.

During our audit we noted that the Sheriff Department had not filed the necessary paperwork to receive reimbursement for one of its State of Michigan grants. Many of these grants have time restrictions; in fact, if we had not brought this to the Sheriff's attention, and it had not been filed, the County could have lost approximately \$26,000 in reimbursements.

We recommend that someone be assigned to follow up on all grants.

The Circuit Court Bonds report should be agreed to the general ledger on a monthly basis.

During our audit procedures we were unable to reconcile the Circuit Court Bond report maintained by the Clerk's office to the balance in the Trust & Agency Fund. We recommend that the report be balanced to the general ledger on a monthly basis.

The salaries and wages reported on the General Ledger and the wages reported in the payroll systems should be reconciled on a quarterly basis.

At the current time the quarterly IRS 941 reports are not reconciled to the wages on the County's general ledger. We understand that departments that process their own payroll complicates this reconciliation however, to insure posting accuracy and proper reporting, we recommend quarterly reconciliations be performed comparing wages reported per the County's general ledger to wages reported on the Federal form 941.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Board of Commissioners, the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvois & Whipple".

February 18, 2005